

△ NEW ISSUE –FULL BOOK - ENTRY ONLY

RATINGS: △ Fitch: AAA
 △ Moody's: Aaa
 △ Standard & Poor's: AAA
(See "RATINGS" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions and assuming certain representations and compliance with certain covenants and requirements discussed herein, interest on the 1999 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 1999 Bonds is exempt from California personal income tax. See "TAX MATTERS."

△ \$15,490,000

**Belmont Redevelopment Agency
Los Costanos Community Development Project Area
Senior Tax Allocation Refunding Bonds
Series 1999A**

\$8,725,000

**Belmont Redevelopment Agency
Los Costanos Community Development Project Area
Subordinated Tax Allocation Bonds
Series 1999B**

Dated: December 1, 1999

Due: August 1, as shown below

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The 1999 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the 1999 Bonds. Individual purchases of interests in the 1999 Bonds may be made in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 1999 Bonds purchased. Principal, premium, if any, and interest on the 1999 Bonds will be paid directly to DTC by BNY Western Trust Company, San Francisco, California, as trustee (the "Trustee"). Principal of the 1999 Bonds is payable on the dates set forth on the inside cover page hereof. Interest on the 1999 Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2000 (the "Interest Payment Dates"). Upon its receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the 1999 Bonds as described herein.

The 1999 Bonds are subject to redemption prior to their stated maturity as described herein.

Payment of the principal of and interest on the 1999A Bonds and the 1999B Bonds when due (other than by reason of any redemption, except for mandatory sinking fund redemption, or any acceleration of the due date of principal) will be insured by separate municipal bond insurance policies to be issued by Ambac Assurance Corporation simultaneously with the delivery of the 1999A Bonds and the 1999B Bonds.

[AMBAC LOGO]

The 1999A Bonds and the 1999B Bonds are special obligations of the Belmont Redevelopment Agency (the "Agency") secured by Tax Revenues and Subordinated Tax Revenues, respectively, which consist of a portion of the ad valorem taxes levied upon all taxable property within the Los Costanos Community Development Project Area (the "Project Area") and allocated to the Agency. PAYMENT OF PRINCIPAL OF AND INTEREST ON THE 1999B BONDS FROM SUBORDINATED TAX REVENUES IS SUBORDINATE TO PAYMENT OF PRINCIPAL OF AND INTEREST ON THE 1999A BONDS (AND ANY OTHER SENIOR BONDS) FROM TAX REVENUES AND TO PAYMENT OF AMOUNTS PAYABLE BY THE AGENCY UNDER THE SCHOOL DISTRICT TAX SHARING AGREEMENT DESCRIBED HEREIN.

Proceeds of the 1999A Bonds will be used (i) to refinance certain outstanding indebtedness of the Agency, (ii) to fund a debt service reserve fund for the Senior Bonds, and (iii) to pay costs incurred in connection with the issuance, sale, and delivery of the 1999A Bonds. Proceeds of the 1999B Bonds will be used (i) to finance redevelopment activities of the Agency with respect to the Project Area, (ii) to fund a debt service reserve fund for the Subordinated Bonds, and (iii) to pay costs incurred in connection with the issuance, sale, and delivery of the 1999B Bonds.

THE 1999 BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY AND, AS SUCH, THE 1999 BONDS ARE NOT A DEBT OF THE CITY OF BELMONT (THE "CITY"), THE STATE OF CALIFORNIA (THE "STATE"), OR ANY OF ITS POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, AND NEITHER THE CITY, THE STATE, NOR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE THEREFOR, NOR IN ANY EVENT SHALL THE 1999 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURES. NEITHER THE MEMBERS OF THE AGENCY NOR ANY PERSONS EXECUTING THE 1999 BONDS ARE LIABLE PERSONALLY FOR THE 1999 BONDS. THE AGENCY HAS NO TAXING POWER. THE 1999 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

SEE MATURITY SCHEDULE ON INSIDE FRONT COVER

The 1999 Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, is also acting as Disclosure Counsel to the Agency. Certain legal matters will be passed on for the Agency by its counsel, Goldfarb & Lipman, San Francisco, California. It is anticipated that the 1999 Bonds will be available for delivery to DTC in New York, New York on or about December 2, 1999.

Dated: **November 17, 1999**

MATURITY SCHEDULE FOR SERIES 1999A BONDS

Δ \$11,345,000 Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Δ Yield</u>	<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Δ Yield</u>
<u>2000</u>	<u>\$260,000</u>	<u>4.375%</u>	<u>3.600%</u>	<u>2010</u>	<u>\$600,000</u>	<u>4.800%</u>	<u>4.850%</u>
<u>2001</u>	<u>405,000</u>	<u>4.375</u>	<u>3.900</u>	<u>2011</u>	<u>625,000</u>	<u>5.000</u>	<u>5.000</u>
<u>2002</u>	<u>420,000</u>	<u>4.375</u>	<u>4.000</u>	<u>2012</u>	<u>655,000</u>	<u>5.100</u>	<u>5.150</u>
<u>2003</u>	<u>440,000</u>	<u>4.375</u>	<u>4.150</u>	<u>2013</u>	<u>690,000</u>	<u>5.200</u>	<u>5.250</u>
<u>2004</u>	<u>460,000</u>	<u>4.375</u>	<u>4.250</u>	<u>2014</u>	<u>725,000</u>	<u>5.300</u>	<u>5.350</u>
<u>2005</u>	<u>480,000</u>	<u>4.375</u>	<u>4.350</u>	<u>2015</u>	<u>760,000</u>	<u>5.400</u>	<u>5.450</u>
<u>2006</u>	<u>495,000</u>	<u>4.400</u>	<u>4.450</u>	<u>2016</u>	<u>805,000</u>	<u>5.500</u>	<u>5.550</u>
<u>2007</u>	<u>520,000</u>	<u>4.500</u>	<u>4.550</u>	<u>2017</u>	<u>850,000</u>	<u>5.600</u>	<u>5.650</u>
<u>2008</u>	<u>540,000</u>	<u>4.600</u>	<u>4.650</u>	<u>2018</u>	<u>510,000</u>	<u>5.600</u>	<u>5.700</u>
<u>2009</u>	<u>570,000</u>	<u>4.750</u>	<u>4.750</u>	<u>2019</u>	<u>535,000</u>	<u>5.600</u>	<u>5.750</u>

\$3,170,000 5.65% Term Bonds due August 1, 2024 - Yield 5.80%

\$975,000 5.70% Term Bonds due August 1, 2029 - Yield 5.85%

MATURITY SCHEDULE FOR SERIES 1999B BONDS

Δ \$4,070,000 Serial Bonds

<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Δ Yield</u>	<u>Maturity Date</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Δ Yield</u>
<u>2000</u>	<u>\$105,000</u>	<u>3.600%</u>	<u>3.600%</u>	<u>2011</u>	<u>\$225,000</u>	<u>5.000%</u>	<u>5.000%</u>
<u>2003</u>	<u>155,000</u>	<u>4.150</u>	<u>4.150</u>	<u>2012</u>	<u>235,000</u>	<u>5.100</u>	<u>5.150</u>
<u>2004</u>	<u>165,000</u>	<u>4.200</u>	<u>4.250</u>	<u>2013</u>	<u>245,000</u>	<u>5.200</u>	<u>5.250</u>
<u>2005</u>	<u>170,000</u>	<u>4.300</u>	<u>4.350</u>	<u>2014</u>	<u>260,000</u>	<u>5.300</u>	<u>5.350</u>
<u>2006</u>	<u>180,000</u>	<u>4.400</u>	<u>4.450</u>	<u>2015</u>	<u>275,000</u>	<u>5.400</u>	<u>5.450</u>
<u>2007</u>	<u>185,000</u>	<u>4.500</u>	<u>4.550</u>	<u>2016</u>	<u>290,000</u>	<u>5.500</u>	<u>5.550</u>
<u>2008</u>	<u>195,000</u>	<u>4.600</u>	<u>4.650</u>	<u>2017</u>	<u>305,000</u>	<u>5.500</u>	<u>5.650</u>
<u>2009</u>	<u>205,000</u>	<u>4.700</u>	<u>4.750</u>	<u>2018</u>	<u>320,000</u>	<u>5.600</u>	<u>5.700</u>
<u>2010</u>	<u>215,000</u>	<u>4.800</u>	<u>4.850</u>	<u>2019</u>	<u>340,000</u>	<u>5.600</u>	<u>5.750</u>

\$2,005,000 5.75% Term Bonds due August 1, 2024 - Yield 5.80%

\$2,650,000 5.80% Term Bonds due August 1, 2029 - Yield 5.85%

No dealer, broker, salesperson or other person has been authorized by the Belmont Redevelopment Agency or the City of Belmont to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any 1999 Bonds by any person in any jurisdiction in which such offer of solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 1999 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact.

The information set forth herein has been obtained from the City, the Agency and other sources which are believed to be reliable, but it is not guaranteed as to its accuracy or completeness and is not to be construed as a representation by the Agency. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the City since the date hereof. All summaries of the resolutions, indentures of trust, laws and statutes or other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

This Official Statement is submitted in connection with the sale of the 1999 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The 1999 Bonds have not been registered under the Securities Act of 1933, as amended, nor have the Indentures been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exception from the registration requirements contained in such acts. The 1999 Bonds have not been registered or qualified under the securities laws of any state.

IN CONNECTION WITH THE OFFERING OF THE 1999 BONDS, THE ORIGINAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORIGINAL PURCHASER MAY OFFER AND SELL 1999 BONDS TO CERTAIN DEALERS AND OTHERS AT A PRICE LOWER THAN THE OFFERING PRICE. THE OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE ORIGINAL PURCHASER.

**BELMONT REDEVELOPMENT AGENCY
BELMONT, CALIFORNIA**

AGENCY MEMBERS AND CITY COUNCIL

Coralin Feierbach, *Chair and Mayor*
Terri Cook, *Vice Chair and Vice Mayor*
Adele Della Santina, *Agency Board Member and Council Member*
Eleanore Hahn, *Agency Board Member and Council Member*
Pamela Rianda, *Agency Board Member and Council Member*

AGENCY STAFF AND CITY STAFF

Susan Westman, *Executive Director and City Manager*
Howard Mason, Jr., *Treasurer*
Thomas E. Fil, *Finance Director*
Kathy Kern, *Agency Secretary and City Clerk*

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San Francisco, California

Trustee/Escrow Agent

BNY Western Trust Company
San Francisco, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Fiscal Consultant

Urban Futures Incorporated
Orange, California

Agency Counsel

Goldfarb & Lipman
San Francisco, California

Verification Agent

Deloitte & Touche LLP
Houston, Texas

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OFFICIAL STATEMENT

<u>Δ \$15,490,000</u>	<u>\$8,725,000</u>
Belmont Redevelopment Agency	Belmont Redevelopment Agency
Los Costanos Community Development Project Area	Los Costanos Community Development Project Area
Senior Tax Allocation Refunding Bonds	Subordinated Tax Allocation Bonds
Series 1999A	Series 1999B

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement and the offering of the 1999 Bonds to potential investors is made only by means of the entire Official Statement. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement, including Appendix A hereto.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Belmont Redevelopment Agency (the “Agency”) of Δ \$15,490,000 principal amount of its Los Costanos Community Development Project Area Senior Tax Allocation Refunding Bonds, Series 1999A (the “1999A Bonds”) and Δ \$8,725,000 principal amount of its Los Costanos Community Development Project Area Subordinated Tax Allocation Bonds, Series 1999B (the “1999B Bonds” and, collectively with the 1999A Bonds, the “1999 Bonds”). The 1999A Bonds, together with (i) any 1992 Bonds and 1994 Bonds (as defined below) that are not defeased upon the issuance of the 1999A Bonds and (ii) any Additional Senior Bonds hereafter issued under the Senior Indenture described herein, are referred to herein as the “Senior Bonds.” The 1999B Bonds, together with any Additional Subordinated Bonds hereafter issued under the Subordinated Indenture described herein, are referred to herein as the “Subordinated Bonds.”

The 1999 Bonds are being issued pursuant to the Constitution and the laws of the State of California (the “State”), including the California Community Redevelopment Law (codified in Part 1 of Division 24 of the California Health and Safety Code) (the “Redevelopment Law”), and a resolution of the Agency adopted on October 26, 1999. The 1999A Bonds are being issued pursuant to Δ separate Indentures of Trust, each dated as of December 1, 1999 (each an “Indenture” and collectively the “Indentures”), by and between the Agency and BNY Western Trust Company, as trustee (the “Trustee”). The Δ Indenture for the 1999A Bonds is referred to herein as the “Senior Indenture” and the Indenture for the 1999B Bonds is referred to herein as the “Subordinated Indenture.”

Proceeds of the 1999A Bonds will be used (i) to refinance certain outstanding indebtedness of the Agency, (ii) to fund a debt service reserve fund for the Senior Bonds, and (iii) to pay costs incurred in connection with the issuance, sale and delivery of the 1999A Bonds.

Proceeds of the 1999B Bonds will be used (i) to finance certain redevelopment activities of the Agency with respect to the Los Costanos Community Development Project Area, (ii) to fund a debt service reserve fund for the Subordinated Bonds, and (iii) to pay costs incurred in connection with the issuance, sale and delivery of the 1999B Bonds.

The City, the Agency, and the Redevelopment Plan

The City of Belmont (the “City”) encompasses approximately 4.3 square miles and is located in the County of San Mateo (the “County”), approximately 25 miles south of San Francisco. The City has a council-manager form of government, with the Council members elected at large for four-year terms and the Mayor elected by the City Council. See “APPENDIX C - GENERAL INFORMATION RELATING TO THE CITY OF BELMONT” for a more complete description of the City and the surrounding region.

The Agency was established pursuant to the Redevelopment Law and commenced its activities during fiscal year 1981-82. The five members of the City Council serve as the governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. On November 24, 1981, the City Council adopted the Los Costanos Community Development Plan by Ordinance No. 692. On September 10, 1991, the City Council adopted a First Amended and Restated Los Costanos Community Development Plan by Ordinance No. 849, which was amended by Ordinance No. 887 adopted on November 8, 1994 (as amended, the “Redevelopment Plan”). The Redevelopment Plan provides for redevelopment (the “Redevelopment Project”) within the Los Costanos Community Development Project Area (the “Project Area”), consisting of approximately 560 acres in the eastern portion of the City, extending in a general east-westerly direction from the San Francisco Bay to the foot of the hills just beyond the El Camino Real, and bounded to the north and to the south by the City limits. The Project Area contains a majority of the City's commercial and industrial areas, as well as several residential neighborhoods and the City's major public facilities.

The Agency's audited financial statements for the fiscal year ended June 30, 1998 are included in Appendix B and should be read in their entirety. The report of Maze & Associates (the “Auditor”) is included with the Agency's financial statements. The Auditor has not reviewed or opined as to any part of this Official Statement. The Agency's audited financial statements for the year ended June 30, 1998 and prior years are on file for public inspection with the Secretary of the Agency.

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of tax revenues collected within a redevelopment project area. The taxable valuation of a redevelopment project area last equalized prior to adoption of the redevelopment plan (the base roll) is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. With limited exception, taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of tax revenues described above.

Security for the 1999 Bonds

The Senior Bonds (including the 1999A Bonds) are special obligations of the Agency payable solely from “Tax Revenues” and other funds and accounts pledged therefor pursuant to the Senior Indenture. The Subordinated Bonds (including the 1999B Bonds) are special obligations of the Agency payable solely from “Subordinated Tax Revenues” and other funds and accounts pledged

therefor pursuant to the Subordinated Indenture. Tax Revenues are defined in the Senior Indenture generally as tax increment revenues received by the Agency, less certain housing set-aside obligations. Subordinated Tax Revenues are defined in the Subordinated Indenture generally as tax increment revenues received by the Agency, less certain housing set aside obligations, less amounts required to pay debt service on the Senior Bonds, and less certain contractual obligations to other taxing entities. See “SECURITY FOR THE 1999 BONDS - Tax Revenues and Subordinated Tax Revenues” herein. The Senior Bonds are further secured by moneys on deposit in the Senior Bonds Reserve Account held by the Trustee for the benefit of the Owners of the Senior Bonds and the Subordinated Bonds are further secured by moneys on deposit in the Subordinated Bonds Reserve Account held by the Trustee for the benefit of the Owners of the Subordinated Bonds. See “SECURITY FOR THE 1999 BONDS - Reserve Accounts” herein.

With the exception of certain statutory housing obligations, upon the issuance of the 1999A Bonds, the defeasance of the 1992 Bonds and the 1994 Bonds, and the payment of the City Variable Rate Note (as defined below), the Agency will have no bonds or other obligations outstanding with a pledge on tax increment revenues for the Project Area senior to the pledge securing the Senior Bonds. Any 1992 Bonds or 1994 Bonds that are not defeased upon the issuance of the 1999A Bonds will be payable from Tax Revenues on a parity with the 1999A Bonds. With the exception of (i) certain statutory housing obligations, (ii) certain amounts to be paid by the Agency pursuant to the School District Tax Sharing Agreement, and (iii) the Senior Bonds, upon the issuance of the 1999B Bonds the Agency will have no bonds or other obligations outstanding with a pledge on tax increment revenues for the Project Area senior to the pledge securing the Subordinated Bonds.

PAYMENT OF PRINCIPAL OF AND INTEREST ON THE 1999B BONDS FROM SUBORDINATED TAX REVENUES IS SUBORDINATE TO PAYMENT OF PRINCIPAL OF AND INTEREST ON THE SENIOR BONDS FROM TAX REVENUES AND TO PAYMENT OF AMOUNTS PAYABLE BY THE AGENCY UNDER THE SCHOOL DISTRICT TAX SHARING AGREEMENT DESCRIBED BELOW.

For additional information regarding security for the 1999A Bonds and the 1999B Bonds, see “SECURITY FOR THE 1999 BONDS” herein. The Agency’s receipt of Tax Revenues and Subordinated Tax Revenues is subject to certain risks and limitations. See “BONDOWNERS’ RISKS” and “LIMITATIONS ON TAX INCREMENT REVENUES” herein.

Bond Insurance

Payment of the principal of and interest on the 1999A Bonds and the 1999B Bonds when due (other than by reason of any redemption, except for mandatory sinking fund redemption, or any acceleration of the due date of principal) will be insured by separate municipal bond insurance policies (together, the “Insurance Policies”) issued by AMBAC Assurance Corporation (the “Insurer”) simultaneously with the delivery of the 1999A Bonds and the 1999 B Bonds. See “BOND INSURANCE” herein.

Professionals Involved in the Offering

BNY Western Trust Company, San Francisco, California, will act as Trustee with respect to the 1999 Bonds and as Escrow Agent with respect to the 1992 Bonds and the 1994 Bonds.

Urban Futures Incorporated, Orange, California, has acted as Fiscal Consultant to the Agency and has prepared a report (set forth in Appendix D hereto) on projected taxable values and anticipated tax increment revenues in the Project Area.

Fieldman, Rolapp & Associates, Irvine, California, has served as financial advisor to the Agency in connection with the 1999 Bonds and has assisted the Agency in structuring the 1999 Bonds.

All proceedings in connection with the issuance of the 1999 Bonds are subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, is also acting as Disclosure Counsel to the Agency. Certain legal matters will be passed on for the Agency by its counsel, Goldfarb & Lipman, San Francisco, California. The fees and expenses of Bond Counsel, Disclosure Counsel, and the Financial Advisor are contingent upon the sale and delivery of the 1999 Bonds.

Summaries of Documents

Set forth below in this Official Statement are descriptions of the 1999 Bonds, the Senior Indenture, the Subordinated Indenture, the Agency, the City, the Project Area, the Redevelopment Law, and various agreements. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors' rights generally. Capitalized terms not defined herein shall have the meanings set forth in the Indentures. Copies of the Indentures are available for inspection during business hours at the corporate trust office of the Trustee in San Francisco, California.

Continuing Disclosure

The Agency will covenant in a Continuing Disclosure Agreement to provide certain financial information and operating data relating to the Agency by not later than the last day of the ninth month following the end of the Agency's fiscal year (currently its fiscal year ends on June 30) (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 1999, and to provide notices of the occurrence of certain enumerated events, if material. See "CONTINUING DISCLOSURE" and "APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT" herein.

Other Information

This Official Statement speaks only as of its date, as set forth on the cover hereof, and the information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Agency or the City or the Project Area since the date hereof.

THE FINANCING PLAN

Use of 1999A Bond Proceeds

Proceeds from the sale of the 1999A Bonds, together with certain other available moneys, will be used (i) to pay in full a promissory note of the Agency payable to the City (the “City Variable Rate Note”), currently outstanding in the approximate amount of \$2.9 million, ^Δ(ii) to advance refund the Agency’s Los Costanos Community Development Project Area Subordinated Tax Allocation Bonds, Series 1992 A (the “1992 Bonds”), currently outstanding in the principal amount of \$4,210,000, and the Agency’s Los Costanos Community Development Project Area Subordinated Tax Allocation Bonds, Series 1994 A (the “1994 Bonds”), currently outstanding in the principal amount of \$6,975,000, (iii) to fund a debt service reserve fund for the Senior Bonds, and (iv) to pay costs incurred in connection with the issuance, sale, and delivery of the 1999A Bonds.

^Δ A portion of the proceeds of the 1999A Bonds will be deposited in the 1992 Bonds Escrow Fund and a portion of the proceeds of the 1999A Bonds will be deposited in the 1994 Bonds Escrow Fund, each of which will be held by BNY Western Trust Company, San Francisco, California, as escrow agent (the “Escrow Agent”), and administered pursuant to respective Escrow Agreements, each dated as of December 1, 1999, by and between the Agency and the Escrow Agent. Monies placed in the 1992 Bonds Escrow Fund will be used to purchase United States government obligations, the principal of which will be sufficient, together with any uninvested cash and earnings, to pay the principal of and interest on the 1992 Bonds to and including August 1, 2001 and to pay on such date the redemption price of the 1992 Bonds maturing after such date. Monies placed in the 1994 Bonds Escrow Fund will be used to purchase United States government obligations, the principal of which will be sufficient, together with any uninvested cash and earnings, to pay the principal of and interest on the 1994 Bonds to and including August 1, 2004 and to pay on such date the redemption price of the 1994 Bonds maturing after such date.

The following table shows the estimated sources and uses of the proceeds from the sale of the 1999A Bonds and certain other moneys, exclusive of accrued interest:

Sources of Funds:

Par Amount of 1999A Bonds	<u>\$15,490,000.00</u> ^Δ
Plus: Funds from 1992 Bonds	<u>446,122.00</u>
Plus: Funds from 1994 Bonds	<u>618,873.00</u>
Less: Net Original Issue Discount	<u>(114,592.65)</u>
Less: Original Purchaser’s Discount	<u>(79,032.35)</u>
Total Sources	<u>\$16,361,370.00</u> ^Δ

Uses of Funds:

1992 Bonds Escrow Fund	<u>\$4,400,286.24</u> ^Δ
1994 Bonds Escrow Fund	<u>7,483,164.89</u>
City Variable Rate Loan	<u>2,935,000.00</u>
Senior Bonds Reserve Account	<u>1,170,381.98</u>
Costs of Issuance	<u>372,536.89</u>
Total Uses	<u>\$16,361,370.00</u> ^Δ

Use of 1999B Bond Proceeds

Proceeds from the sale of the 1999B Bonds will be used (i) to finance redevelopment activities of the Agency with respect to the Project Area; (ii) to fund a debt service reserve fund for the Subordinated Bonds, and (iii) to pay costs incurred in connection with the issuance, sale, and delivery of the 1999B Bonds.

The following table shows the estimated sources and uses of the proceeds from the sale of the 1999B Bonds, exclusive of accrued interest:

Sources of Funds:

Par Amount of 1999B Bonds	<u>\$8,725,000.00</u> ^Δ
Less: Net Original Issue Discount	<u>(57,838.65)</u>
Less: Original Purchaser's Discount	<u>(51,223.85)</u>
Total Sources	<u>\$8,615,937.50</u> ^Δ

Uses of Funds:

Redevelopment Fund	<u>\$7,750,000.00</u> ^Δ
Subordinated Bonds Reserve Account	<u>628,725.00</u>
Costs of Issuance	<u>237,212.50</u>
Total Uses	<u>\$8,615,937.50</u> ^Δ

Annual Debt Service

The following table shows the annual debt service requirements for the 1999 Bonds.

Year ^Δ <u>Ending</u> <u>August 1</u>	1999A Bonds			1999B Bonds			Combined Debt Service
	<u>Δ Principal⁽¹⁾</u>	<u>Δ Interest</u>	<u>Δ Total</u>	<u>Δ</u> <u>Principal⁽¹⁾</u>	<u>Δ Interest</u>	<u>Δ Total</u>	
2000	<u>Δ \$260,000</u>	<u>\$532,542.51</u>	<u>\$792,542.51</u>	<u>\$105,000</u>	<u>\$315,266.67</u>	<u>\$420,266.67</u>	<u>\$1,212,809.18</u>
2001	<u>405,000</u>	<u>787,438.76</u>	<u>1,192,438.76</u>	<u>--</u>	<u>469,120.00</u>	<u>469,120.00</u>	<u>1,661,558.76</u>
2002	<u>420,000</u>	<u>769,720.00</u>	<u>1,189,720.00</u>	<u>--</u>	<u>469,120.00</u>	<u>469,120.00</u>	<u>1,658,840.00</u>
2003	<u>440,000</u>	<u>751,345.00</u>	<u>1,191,345.00</u>	<u>155,000</u>	<u>469,120.00</u>	<u>624,120.00</u>	<u>1,815,465.00</u>
2004	<u>460,000</u>	<u>732,095.00</u>	<u>1,192,095.00</u>	<u>165,000</u>	<u>462,687.50</u>	<u>627,687.50</u>	<u>1,819,782.50</u>
2005	<u>480,000</u>	<u>711,970.00</u>	<u>1,191,970.00</u>	<u>170,000</u>	<u>455,757.50</u>	<u>625,757.50</u>	<u>1,817,727.50</u>
2006	<u>495,000</u>	<u>690,970.00</u>	<u>1,185,970.00</u>	<u>180,000</u>	<u>448,447.50</u>	<u>628,447.50</u>	<u>1,814,417.50</u>
2007	<u>520,000</u>	<u>669,190.00</u>	<u>1,189,190.00</u>	<u>185,000</u>	<u>440,527.50</u>	<u>625,527.50</u>	<u>1,814,717.50</u>
2008	<u>540,000</u>	<u>645,790.00</u>	<u>1,185,790.00</u>	<u>195,000</u>	<u>432,202.50</u>	<u>627,202.50</u>	<u>1,812,992.50</u>
2009	<u>570,000</u>	<u>620,950.00</u>	<u>1,190,950.00</u>	<u>205,000</u>	<u>423,232.50</u>	<u>628,232.50</u>	<u>1,819,182.50</u>
2010	<u>600,000</u>	<u>593,875.00</u>	<u>1,193,875.00</u>	<u>215,000</u>	<u>413,597.50</u>	<u>628,597.50</u>	<u>1,822,472.50</u>
2011	<u>625,000</u>	<u>565,075.00</u>	<u>1,190,075.00</u>	<u>225,000</u>	<u>403,277.50</u>	<u>628,277.50</u>	<u>1,818,352.50</u>
2012	<u>655,000</u>	<u>533,825.00</u>	<u>1,188,825.00</u>	<u>235,000</u>	<u>392,027.50</u>	<u>627,027.50</u>	<u>1,815,852.50</u>
2013	<u>690,000</u>	<u>500,420.00</u>	<u>1,190,420.00</u>	<u>245,000</u>	<u>380,042.50</u>	<u>625,042.50</u>	<u>1,815,462.50</u>
2014	<u>725,000</u>	<u>464,540.00</u>	<u>1,189,540.00</u>	<u>260,000</u>	<u>367,302.50</u>	<u>627,302.50</u>	<u>1,816,842.50</u>
2015	<u>760,000</u>	<u>426,115.00</u>	<u>1,186,115.00</u>	<u>275,000</u>	<u>353,522.50</u>	<u>628,522.50</u>	<u>1,814,637.50</u>
2016	<u>805,000</u>	<u>385,075.00</u>	<u>1,190,075.00</u>	<u>290,000</u>	<u>338,672.50</u>	<u>628,672.50</u>	<u>1,818,747.50</u>
2017	<u>850,000</u>	<u>340,800.00</u>	<u>1,190,800.00</u>	<u>305,000</u>	<u>322,722.50</u>	<u>627,722.50</u>	<u>1,818,522.50</u>
2018	<u>510,000</u>	<u>293,200.00</u>	<u>803,200.00</u>	<u>320,000</u>	<u>305,947.50</u>	<u>625,947.50</u>	<u>1,429,147.50</u>
2019	<u>535,000</u>	<u>264,640.00</u>	<u>799,640.00</u>	<u>340,000</u>	<u>288,027.50</u>	<u>628,027.50</u>	<u>1,427,667.50</u>
2020	<u>565,000</u>	<u>234,680.00</u>	<u>799,680.00</u>	<u>355,000</u>	<u>268,987.50</u>	<u>623,987.50</u>	<u>1,423,667.50</u>
2021	<u>600,000</u>	<u>202,757.50</u>	<u>802,757.50</u>	<u>380,000</u>	<u>248,575.00</u>	<u>628,575.00</u>	<u>1,431,332.50</u>
2022	<u>635,000</u>	<u>168,857.50</u>	<u>803,857.50</u>	<u>400,000</u>	<u>226,725.00</u>	<u>626,725.00</u>	<u>1,430,582.50</u>
2023	<u>665,000</u>	<u>132,980.00</u>	<u>797,980.00</u>	<u>425,000</u>	<u>203,725.00</u>	<u>628,725.00</u>	<u>1,426,705.00</u>
2024	<u>705,000</u>	<u>95,407.50</u>	<u>800,407.50</u>	<u>445,000</u>	<u>179,287.50</u>	<u>624,287.50</u>	<u>1,424,695.00</u>
2025	<u>175,000</u>	<u>55,575.00</u>	<u>230,575.00</u>	<u>470,000</u>	<u>153,700.00</u>	<u>623,700.00</u>	<u>854,275.00</u>
2026	<u>185,000</u>	<u>45,600.00</u>	<u>230,600.00</u>	<u>500,000</u>	<u>126,440.00</u>	<u>626,440.00</u>	<u>857,040.00</u>
2027	<u>195,000</u>	<u>35,055.00</u>	<u>230,055.00</u>	<u>530,000</u>	<u>97,440.00</u>	<u>627,440.00</u>	<u>857,495.00</u>
2028	<u>205,000</u>	<u>23,940.00</u>	<u>228,940.00</u>	<u>560,000</u>	<u>66,700.00</u>	<u>626,700.00</u>	<u>855,640.00</u>
2029	<u>215,000</u>	<u>12,255.00</u>	<u>227,255.00</u>	<u>590,000</u>	<u>34,220.00</u>	<u>624,220.00</u>	<u>851,475.00</u>
Total	<u>\$15,490,000</u>	<u>\$12,286,683.77</u>	<u>\$27,776,683.77</u>	<u>\$8,725,000</u>	<u>\$9,556,421.67</u>	<u>\$18,281,421.67</u>	<u>\$46,058,105.44</u>

⁽¹⁾ Includes mandatory sinking account redemptions.

THE 1999 BONDS

Authority for Issuance

The 1999 Bonds are issued pursuant to the Constitution and laws of the State, including the Redevelopment Law, a resolution of the Agency adopted on October 26, 1999, the Senior Indenture (with respect to the 1999A Bonds), and the Subordinated Indenture (with respect to the 1999B Bonds).

The 1999 Bonds are special obligations of the Agency and as such are not a debt of the City of Belmont, the State of California, or any of their political subdivisions other than the Agency, and neither the City, the State, nor any of their political subdivisions other than the Agency is liable for the payment thereof. In no event shall the 1999 Bonds be payable out of any funds or properties other than those of the Agency as set forth in the Indentures. The 1999 Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limit or restriction. For a discussion of some of the risks associated with the purchase of the 1999 Bonds, see “BONDOWNERS’ RISKS” herein. The Agency has no taxing powers.

Potential investors should read the Official Statement in its entirety. The 1999A Bonds and the 1999B Bonds are payable solely from Tax Revenues and Subordinated Tax Revenues, respectively, as defined in the respective Indentures and are additionally secured by a pledge and lien on all moneys held in the Senior Bonds Reserve Account (with respect to the 1999A Bonds) and in the Subordinated Bonds Reserve Account (with respect to the 1999B Bonds).

PAYMENT OF PRINCIPAL OF AND INTEREST ON THE 1999B BONDS FROM SUBORDINATED TAX REVENUES IS SUBORDINATE TO PAYMENT OF PRINCIPAL OF AND INTEREST ON THE 1999A BONDS (AND ANY OTHER SENIOR BONDS) FROM TAX REVENUES AND TO PAYMENT OF AMOUNTS PAYABLE BY THE AGENCY UNDER THE SCHOOL DISTRICT PASS-THROUGH AGREEMENT. See “SECURITY FOR THE 1999 BONDS” herein.

General Description

The 1999 Bonds will be issued in authorized denominations of \$5,000 each or integral multiples thereof and will be dated December 1, 1999. Subject to possible redemption prior to maturity as provided in the respective Indentures, the 1999 Bonds mature on the respective dates and bear interest at the respective rates per annum set forth on the inside cover page hereof. Interest on the 1999 Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2000 (collectively, the “Interest Payment Dates”).

The 1999 Bonds will be issued as one fully registered bond without coupons for each maturity of each series and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the 1999 Bonds. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the 1999 Bonds purchased. Principal and interest will be paid to DTC, which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the 1999 Bonds as described herein. See “APPENDIX G - BOOK-ENTRY ONLY SYSTEM” herein.

Optional Redemption

The 1999 Bonds maturing on or before August 1, 2007, are not subject to optional redemption prior to their respective maturity dates. The 1999 Bonds maturing on or after August 1, 2008, are subject to redemption prior to their respective maturity dates, on or after August 1, 2007, as a whole on any date or in part on any interest payment date, at the option of the Agency and from the maturities designated by the Agency, from any source of available funds, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the date of redemption.

Mandatory Sinking Account Redemption

1999A Bonds. The 1999A Bonds maturing on August 1, Δ 2024 and August 1, 2029 are Δ subject to mandatory redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the applicable sinking account, on any August 1 on or after August 1, Δ 2020 and August 1, 2025, respectively, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the redemption date, without premium, according to the following schedule:

Redemption Date Δ(August 1)	Principal Amount Δ Redeemed
<u>Δ 2020</u>	<u>\$565,000</u>
<u>2021</u>	<u>600,000</u>
<u>2022</u>	<u>635,000</u>
<u>2023</u>	<u>665,000</u>
<u>2024 (maturity)</u>	<u>705,000</u>
<u>2025</u>	<u>175,000</u>
<u>2026</u>	<u>185,000</u>
<u>2027</u>	<u>195,000</u>
<u>2028</u>	<u>205,000</u>
<u>2029 (maturity)</u>	<u>215,000</u>

1999B Bonds. The 1999B Bonds maturing on August 1, ^Δ 2024 and August 1, 2029 are ^Δ subject to mandatory redemption prior to their stated maturity, in part by lot, from mandatory sinking account payments deposited in the applicable sinking account, on any August 1 on or after August 1, ^Δ 2020 and August 1, 2025, respectively, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the redemption date, without premium, according to the following schedule:

Redemption Date ^Δ (August 1)	Principal Amount ^Δ Redeemed
<u>^Δ 2020</u>	<u>\$355,000</u>
<u>2021</u>	<u>380,000</u>
<u>2022</u>	<u>400,000</u>
<u>2023</u>	<u>425,000</u>
<u>2024 (maturity)</u>	<u>445,000</u>
<u>2025</u>	<u>470,000</u>
<u>2026</u>	<u>500,000</u>
<u>2027</u>	<u>530,000</u>
<u>2028</u>	<u>560,000</u>
<u>2029 (maturity)</u>	<u>590,000</u>

General Redemption Provisions

Selection of Bonds for Redemption. If less than all outstanding 1999 Bonds of the same series maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the 1999 Bonds of such series and maturity date to be redeemed by lot. If outstanding 1999 Bonds maturing by their terms on more than one date are to be redeemed at any one time, the Agency shall select the maturity dates of the 1999 Bonds to be so redeemed.

Notice of Redemption. Notice of redemption is required to be mailed by the Trustee by first class mail to the registered owner of each 1999 Bond selected for redemption at the address shown on the registration books of the Trustee not less than 30 nor more than 60 days prior to such redemption date. The notice of redemption shall state (a) the date of such notice; (b) the redemption price; (c) the place of redemption (including the name and appropriate address of the Trustee); and (d) the CUSIP numbers (if any) of the maturity or maturities, and if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 1999 Bonds of such maturity to be redeemed and, in the case of 1999 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will be due and payable on each 1999 Bond the redemption price thereof and in the case of a 1999 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with accrued interest thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue and shall require that such 1999 Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

Failure to receive such notice shall not affect the validity of the proceedings for the redemption of such 1999 Bonds.

Effect of Redemption. If notice of redemption has been duly given and money for the payment of the redemption price of the 1999 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice the 1999 Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such 1999 Bonds will

cease to accrue, and the holders of such 1999 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof,

Purchase of 1999 Bonds

Upon the written request of the Agency, the Trustee will purchase outstanding 1999 Bonds at public or private sale as and when and at such prices as the Trustee is instructed by the Agency, but only at prices (including brokerage or other expenses but excluding accrued interest) of not more than par plus redemption premium, if any, that would be payable on such 1999 Bonds upon redemption. Any accrued interest payable upon the purchase of 1999 Bonds may be paid from the amount reserved in the applicable Special Fund for the payment of interest on the next following Interest Payment Date.

SECURITY FOR THE 1999 BONDS

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of tax revenues collected within a project area. The taxable valuation of a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. With certain limited exceptions, taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged to a bond issue by a redevelopment agency. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of tax revenues produced as provided under the Redevelopment Law.

Allocation of Taxes

As provided in the Redevelopment Plan, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property within the Project Area each year by or for the benefit of the State, the County, the City, or any other district or other public corporation (herein collectively referred to as the "taxing agencies") after the effective date of Ordinance No. 692, as adopted on November 24, 1981, first establishing and adopting the Redevelopment Plan for the Project Area, are divided as follows:

1. **To taxing agencies:** That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said taxing agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such taxing agency, last equalized prior to the effective date of the ordinance initially approving the Redevelopment Plan, shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies as taxes by, or for, said taxing agencies on all other property are paid; and

2. **To the Agency:** Except for taxes which are attributable to a tax levy by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective taxing agency, that portion of said levied taxes each year in excess of such amount shall be allocated to and when collected shall be paid into a special fund of the

Agency to pay the principal of and interest on loans, monies advanced to, or indebtedness incurred by the Agency to finance or refinance, in whole or in part, the Redevelopment Project.

Revenues generated as set forth above and allocated to the Agency are generally referred to as tax increment revenues. Tax Revenues (as defined below), which secure the Senior Bonds, and Subordinated Tax Revenues (as defined below), which secure the Subordinated Bonds, are a portion of such tax increment revenues.

Tax Revenues and Subordinated Tax Revenues

The Senior Bonds (including the 1999A Bonds) are secured by and payable from an irrevocable pledge of, and charge and lien upon, Tax Revenues and moneys held in certain funds and accounts under the Senior Indenture. The Senior Indenture defines "Tax Revenues" to mean, for each Fiscal Year beginning with the Fiscal Year ending on June 30, 1993, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) eligible for allocation to the Agency pursuant to the Redevelopment Law (excluding (i) the amount of such taxes required by the Redevelopment Law to be deposited in the Housing Fund and used for certain housing purposes, provided, however, that such amount, or any portion thereof, shall not be excluded if and to the extent that the Agency makes such amount available as Tax Revenues by providing therefor in a Supplemental Resolution or otherwise, and (ii) amounts, if any, received by the Agency under and pursuant to Section 16111 of the California Government Code) as provided in the Redevelopment Plan, up to an amount that is equal to (a) 125% of the Annual Debt Service on the Senior Bonds for the next ensuing one-year period from August 2 to August 1 beginning after the start of such Fiscal Year, plus (b) an amount, if any, necessary to be deposited in the Senior Bonds Reserve Account to maintain the required balance therein during such one-year period from August 2 to August 1.

The Subordinated Bonds (including the 1999B Bonds) are secured by and payable from an irrevocable pledge of, and charge and lien upon, Subordinated Tax Revenues and moneys held in certain funds and accounts under the Subordinated Indenture. The Subordinated Indenture defines "Subordinated Tax Revenues" to mean, for each Fiscal Year beginning with the Fiscal Year ending on June 30, 2000, the taxes (including all payments, reimbursements and subventions, if any, specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations) allocated to the Agency with respect to the Project Area pursuant to the Redevelopment Law (excluding (i) the amount of such taxes required by the Redevelopment Law to be deposited in the Housing Fund and used for certain housing purposes, provided, however, that such amount, or any portion thereof, shall not be excluded if and to the extent that the Agency makes such amount available as Subordinated Tax Revenues by providing therefor in a Supplemental Resolution or otherwise, (ii) amounts, if any, received by the Agency under and pursuant to Section 16111 of the California Government Code, (iii) all amounts of such taxes that are required by the Senior Indenture to be used to pay principal or redemption price of or interest on the Senior Bonds, and (iv) all amounts of such taxes that are payable to taxing agencies other than the Agency pursuant to the Tax Sharing Agreements to the extent such Tax Sharing Agreements create a prior lien on such taxes) as provided in the Redevelopment Plan, up to an amount that is equal to (a) 125% of the Annual Debt Service on the Subordinated Bonds for the next ensuing one-year period from August 2 to August 1 beginning after the start of such Fiscal Year, plus (b) an amount, if any, necessary to be deposited in the Subordinated Bonds Reserve Account to maintain the required balance therein during such one-year period from August 2 to August 1. For a description of amounts payable to taxing agencies other than the Agency pursuant to the existing Tax Sharing Agreements, see "SECURITY FOR THE 1999 BONDS - Tax Sharing Agreements."

THE PLEDGE OF AND LIEN ON SUBORDINATED TAX REVENUES UNDER THE SUBORDINATED INDENTURE FOR THE BENEFIT OF THE SUBORDINATED BONDS IS SUBORDINATE TO THE PLEDGE OF AND LIEN ON TAX REVENUES UNDER THE SENIOR INDENTURE FOR THE BENEFIT OF THE SENIOR BONDS AND TO PAYMENT OF AMOUNTS PAYABLE BY THE AGENCY UNDER THE SCHOOL DISTRICT TAX SHARING AGREEMENT DESCRIBED HEREIN.

Application of Tax Revenues

The Senior Indenture creates with the Trustee a trust fund called the Special Fund (referred to herein as the “Senior Bonds Special Fund”) with an Interest Account, a Principal Account, a Reserve Account, and a Surplus Account therein (referred to herein as the “Senior Bonds Interest Account,” the “Senior Bonds Principal Account,” the “Senior Bonds Reserve Account,” and the “Senior Bonds Surplus Account”). Pursuant to the Senior Indenture, the Agency has covenanted that so long as any Senior Bonds are outstanding, all Tax Revenues, when and as received by the Agency, will be deposited by the Agency with the Trustee in the Senior Bonds Special Fund; provided, however, that there shall not be deposited with the Trustee any Tax Revenues in excess of the amount which, together with all money then on deposit with the Trustee in the Senior Bonds Special Fund and the accounts therein, shall be sufficient to discharge all outstanding Senior Bonds. The Tax Revenues accumulated in the Senior Bonds Special Fund are required to be applied by the Trustee in the following priority:

(a) **Senior Bonds Interest Account.** On or before January 31 and July 31 of each year, the Trustee is required to set aside from the Senior Bonds Special Fund and deposit in the Senior Bonds Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all outstanding Senior Bonds on the next succeeding interest payment date. No deposit need be made into the Senior Bonds Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all outstanding Senior Bonds on the next succeeding interest payment date. All moneys in the Senior Bonds Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Senior Bonds as it shall become due and payable (including accrued interest on any Senior Bonds purchased or redeemed prior to maturity).

(b) **Senior Bonds Principal Account.** On or before July 31 of each year, the Trustee is required to set aside from the Senior Bonds Special Fund and deposit in the Senior Bonds Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all outstanding Senior Bonds on the next succeeding principal payment due. In the event that there shall be insufficient money in the Senior Bonds Special Fund to make in full all such principal payments required to be made pursuant to the Senior Indenture at any one time, then the available money shall be applied pro rata to the making of such principal payments in the proportion which all such principal payments bear to each other. No deposit need be made into the Senior Bonds Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all outstanding Senior Bonds. All money in the Senior Bonds Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Senior Bonds as they shall become due and payable, except that all amounts in the sinking accounts therein shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Senior Bonds as provided in the Senior Indenture.

(c) **Senior Bonds Reserve Account.** On or before July 31 of each year, the Trustee is required to set aside from the Senior Bonds Special Fund and deposit in the Senior Bonds Reserve

Account an amount of money that will be required to maintain the Senior Bonds Reserve Account in the full amount of the Senior Bonds Reserve Account Requirement (as hereinafter defined). No deposit need be made in the Senior Bonds Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required to be on deposit therein. All money in the Senior Bonds Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Senior Bonds Interest Account or the Senior Bonds Principal Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Senior Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Senior Bonds then outstanding, except that for so long as the Agency is not in default under the Senior Indenture, any amount in the Senior Bonds Reserve Account in excess of the amount required to be on deposit therein may, upon the written request of the Agency, be withdrawn from the Senior Bonds Reserve Account by the Trustee and transferred to the Senior Bonds Surplus Account.

(d) **Senior Bonds Surplus Account.** On or before August 2 of each year, the Trustee shall set aside from the Senior Bonds Special Fund and deposit in the Senior Bonds Surplus Account all moneys then remaining in the Senior Bonds Special Fund; *provided that* (i) if an amount equal to at least 125% of the Annual Debt Service on the Senior Bonds for the immediately preceding Bond Year (as measured without taking into account a principal amount of Special Bonds, if any, equal to the amount then on deposit in the Temporary Redemption Fund) plus an amount, if any, necessary to maintain the required balance in the Senior Bonds Reserve Account was deposited in the Senior Bonds Special Fund during such Bond Year, and (ii) if an amount equal to at least 125% of Annual Debt Service on the Senior Bonds for the then current Bond Year (as measured without taking into account a principal amount of Special Bonds, if any, equal to the amount then on deposit in the Temporary Redemption Fund) plus an amount, if any, necessary to maintain the required balance in the Senior Bonds Reserve Account is anticipated by the Agency based upon its prior years' experience to be deposited in the Senior Bonds Special Fund during such Bond Year, and (iii) if the Agency is not then in default under the Senior Indenture, then all moneys remaining in the Senior Bonds Special Fund shall no longer be deemed to be Tax Revenues thereunder and shall (subject to the last paragraph of this section) be transferred to the Agency for use by it for any lawful purpose free and clear of all liens created by the Senior Indenture and none of such moneys shall be deposited in the Senior Bonds Surplus Account. All money in the Senior Bonds Surplus Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Senior Bonds Interest Account, the Senior Bonds Principal Account, or the Senior Bonds Reserve Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Senior Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement (together with other available money) of all Senior Bonds then outstanding. Unless otherwise directed in writing by the Agency, all moneys in the Senior Bonds Surplus Account on August 2 of each year in which no money is required to be deposited in the Senior Bonds Surplus Account shall (subject to the last paragraph of this section) be withdrawn from the Senior Bonds Surplus Account and transferred to the Agency for use by it for any lawful purpose.

Notwithstanding the foregoing, any moneys available for transfer to the Agency pursuant to the Senior Indenture shall, upon the written request of the Agency, be used by the Trustee to purchase Senior Bonds; provided, however, any such purchases (except accrued interest) shall be made only with the portion of the then current balance in said Senior Bonds Special Fund which is in excess of the amount of principal and interest to become due on the then outstanding Senior Bonds on the next following February 1 and August 1, and the amount, if any, to be withdrawn as described

in paragraph (d) immediately preceding this paragraph; and provided, further, that no such purchases shall be made so long as any Subordinated Bonds remain outstanding.

So long as any Subordinated Bonds remain outstanding, all moneys released from the Senior Bonds Special Fund or the Senior Bonds Surplus Fund shall be transferred to the Subordinated Bonds Special Fund to be applied in accordance with the Subordinated Bonds Indenture.

Application of Subordinated Tax Revenues

The Subordinated Indenture creates with the Trustee a trust fund called the Special Fund (referred to herein as the “Subordinated Bonds Special Fund”) with an Interest Account, a Principal Account, a Reserve Account, and a Surplus Account therein (referred to herein as the “Subordinated Bonds Interest Account,” the “Subordinated Bonds Principal Account,” the “Subordinated Bonds Reserve Account,” and the “Subordinated Bonds Surplus Account.”) Pursuant to the Subordinated Indenture, the Agency has covenanted that so long as any Subordinated Bonds are outstanding, all Subordinated Tax Revenues, when and as received by the Agency, will be deposited by the Agency with the Trustee in the Subordinated Bonds Special Fund; provided, however, that there shall not be deposited with the Trustee any Subordinated Tax Revenues in excess of the amount which, together with all money then on deposit with the Trustee in the Subordinated Bonds Special Fund and the accounts therein, shall be sufficient to discharge all outstanding Subordinated Bonds. The Subordinated Tax Revenues accumulated in the Subordinated Bonds Special Fund are required to be applied by the Trustee in the following priority:

(a) **Subordinated Bonds Interest Account.** On or before January 31 and July 31 of each year, the Trustee is required to set aside from the Subordinated Bonds Special Fund and deposit in the Subordinated Bonds Interest Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the interest becoming due and payable on all outstanding Subordinated Bonds on the next succeeding interest payment date. No deposit need be made into the Subordinated Bonds Interest Account if the amount contained therein is at least equal to the aggregate amount of the interest becoming due and payable on all outstanding Subordinated Bonds on the next succeeding interest payment date. All moneys in the Subordinated Bonds Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Subordinated Bonds as it shall become due and payable (including accrued interest on any Subordinated Bonds purchased or redeemed prior to maturity).

(b) **Subordinated Bonds Principal Account.** On or before July 31 of each year, the Trustee is required to set aside from the Subordinated Bonds Special Fund and deposit in the Subordinated Bonds Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all outstanding Subordinated Bonds on the next succeeding principal payment due. In the event that there shall be insufficient money in the Subordinated Bonds Special Fund to make in full all such principal payments required to be made pursuant to the Subordinated Indenture at any one time, then the available money shall be applied pro rata to the making of such principal payments in the proportion which all such principal payments bear to each other. No deposit need be made into the Subordinated Bonds Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all outstanding Subordinated Bonds. All money in the Subordinated Bonds Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Subordinated Bonds as they shall become due and payable, except that all amounts in the sinking accounts therein shall be used and withdrawn by the Trustee

solely to purchase or redeem or pay at maturity Term Subordinated Bonds as provided in the Subordinated Indenture.

(c) **Subordinated Bonds Reserve Account.** On or before July 31 of each year, the Trustee is required to set aside from the Subordinated Bonds Special Fund and deposit in the Subordinated Bonds Reserve Account an amount of money that will be required to maintain the Subordinated Bonds Reserve Account in the full amount of the Subordinated Bonds Reserve Account Requirement (as hereinafter defined). No deposit need be made in the Subordinated Bonds Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required to be on deposit therein. All money in the Subordinated Bonds Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Subordinated Bonds Interest Account or the Subordinated Bonds Principal Account in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Subordinated Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement of all Subordinated Bonds then outstanding, except that for so long as the Agency is not in default under the Subordinated Indenture, any amount in the Subordinated Bonds Reserve Account in excess of the amount required to be on deposit therein may, upon the written request of the Agency, be withdrawn from the Subordinated Bonds Reserve Account by the Trustee and transferred to the Subordinated Bonds Surplus Account.

(d) **Subordinated Bonds Surplus Account.** On or before August 2 of each year, the Trustee shall set aside from the Subordinated Bonds Special Fund and deposit in the Subordinated Bonds Surplus Account all moneys then remaining in the Subordinated Bonds Special Fund; *provided that* (i) if an amount equal to at least 125% of the Annual Debt Service on the Subordinated Bonds for the immediately preceding Bond Year (as measured without taking into account a principal amount of Special Bonds, if any, equal to the amount then on deposit in the Temporary Redemption Fund) plus an amount, if any, necessary to maintain the required balance in the Subordinated Bonds Reserve Account was deposited in the Subordinated Bonds Special Fund during such Bond Year, and (ii) if an amount equal to at least 125% of Annual Debt Service on the Subordinated Bonds for the then current Bond Year (as measured without taking into account a principal amount of Special Bonds, if any, equal to the amount then on deposit in the Temporary Redemption Fund) plus an amount, if any, necessary to maintain the required balance in the Subordinated Bonds Reserve Account is anticipated by the Agency based upon its prior years' experience to be deposited in the Subordinated Bonds Special Fund during such Bond Year, and (iii) if the Agency is not then in default under the Subordinated Indenture, then all moneys remaining in the Subordinated Bonds Special Fund shall no longer be deemed to be Subordinated Tax Revenues thereunder and shall be transferred to the Agency for use by it for any lawful purpose free and clear of all liens created by the Subordinated Indenture and none of such moneys shall be deposited in the Subordinated Bonds Surplus Account. All money in the Subordinated Bonds Surplus Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Subordinated Bonds Interest Account or the Subordinated Bonds Principal Account or the Subordinated Bonds Reserve Account, in such order, in the event of any deficiency at any time in any of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Subordinated Bonds in the event that no other money of the Agency is lawfully available therefor, or for the retirement (together with other available money) of all Subordinated Bonds then outstanding. Unless otherwise directed in writing by the Agency, all moneys in the Subordinated Bonds Surplus Account on August 2 of each year in which no money is required to be deposited in the Subordinated Bonds Surplus Account shall be withdrawn from the Subordinated Bonds Surplus Account and transferred to the Agency for use by it for any lawful purpose.

Notwithstanding the foregoing, any moneys available for transfer to the Agency pursuant to the Subordinated Indenture shall, upon the written request of the Agency, be used by the Trustee to purchase Subordinated Bonds; provided, however, any such purchases (except accrued interest) shall be made only with the portion of the then current balance in said Subordinated Bonds Special Fund which is in excess of the amount of principal and interest to become due on the then outstanding Subordinated Bonds on the next following February 1 and August 1, and the amount, if any, to be withdrawn as described in paragraph (d) immediately preceding this paragraph.

Limited Liability

The Agency has no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to taxing agencies having the effect of reducing the property tax rate could reduce the amount of Tax Revenues and Subordinated Tax Revenues that would otherwise be available to pay the principal of and interest on the Senior Bonds and the Subordinated Bonds, respectively. Likewise, broadened property tax exemptions or changes in economic conditions within the Project Area could have a similar effect. See "BONDOWNERS' RISKS" herein.

THE 1999 BONDS ARE SPECIAL OBLIGATIONS OF THE AGENCY AND AS SUCH ARE NOT A DEBT OF THE CITY OF BELMONT, THE STATE OF CALIFORNIA, OR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY, AND NEITHER THE CITY, THE STATE, NOR ANY OF THEIR POLITICAL SUBDIVISIONS OTHER THAN THE AGENCY IS LIABLE FOR THE PAYMENT THEREOF. IN NO EVENT SHALL THE 1999 BONDS BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE AGENCY AS SET FORTH IN THE INDENTURES. THE 1999 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION. THE AGENCY HAS NO TAXING POWER.

Reserve Accounts

To secure further the payment of principal of and interest on the Senior Bonds, the Agency will, upon delivery of the 1999A Bonds, deposit into the Senior Bonds Reserve Account an amount sufficient to cause the amount on deposit therein to be equal to the Reserve Account Requirement on all then outstanding Senior Bonds. The term "Reserve Account Requirement" is defined in the Senior Indenture to mean, as of any date of calculation, an amount equal to the lesser of: (a) Maximum Annual Debt Service (as defined in the Senior Indenture) payable in any Bond Year on the Senior Bonds from and after the date of calculation, including any scheduled sinking fund redemption; (b) 125% of average Annual Debt Service (as defined in the Senior Indenture) payable in any Bond Year on the Senior Bonds from and after the date of calculation; and (c) 10% of the original principal amount of the Senior Bonds (less original issue discount if in excess of 2% of the stated redemption amount at maturity). If the Senior Bonds Reserve Account is drawn down to pay debt service on the Senior Bonds, then after deposits have been made to the Senior Bonds Interest Account and the Senior Bonds Principal Account under the Senior Indenture as described above, deposits will be made by the Trustee to the Senior Bonds Reserve Account from available Tax Revenues to replenish the Senior Bonds Reserve Account. Initially, the Senior Bonds Reserve Account will be funded in the amount of Δ **\$1,170,381.98.**

To secure further the payment of principal of and interest on the Subordinated Bonds, the Agency will, upon delivery of the 1999B Bonds, deposit into the Subordinated Bonds Reserve Account an amount equal to the Reserve Account Requirement on the Subordinated Bonds. The

term “Reserve Account Requirement” is defined in the Subordinated Indenture to mean, as of any date of calculation, an amount equal to the lesser of: (a) Maximum Annual Debt Service (as defined in the Subordinated Indenture) payable in any Bond Year on the Subordinated Bonds from and after the date of calculation, including any scheduled sinking fund redemption; (b) 125% of average Annual Debt Service (as defined in the Subordinated Indenture) payable in any Bond Year on the Subordinated Bonds from and after the date of calculation; and (c) 10% of the original principal amount of the Subordinated Bonds (less original issue discount if in excess of 2% of the stated redemption amount at maturity). If the Subordinated Bonds Reserve Account is drawn down to pay debt service on the Subordinated Bonds, then after deposits have been made to the Subordinated Bonds Interest Account and the Subordinated Bonds Principal Account under the Subordinated Indenture as described above, deposits will be made by the Trustee to the Subordinated Bonds Reserve Account from available Subordinated Tax Revenues to replenish the Subordinated Bonds Reserve Account. Initially, the Subordinated Bonds Reserve Account will be funded in the amount of Δ \$628,725.00.

All or any portion of the Senior Bonds Reserve Account Requirement and the Subordinated Bonds Reserve Account Requirement may be satisfied by the provision of a policy of insurance, a surety bond, a letter of credit or other comparable credit facility, or a combination thereof, which, together with moneys on deposit in the applicable Reserve Account provide an aggregate amount equal to the applicable Reserve Account Requirement; provided, that the provider of any such policy of insurance, surety bond, letter of credit or other comparable credit facility must be rated in one of the two highest rating categories by Moody’s or Standard and Poor’s at the time of delivery of such credit facility.

Issuance of Additional Senior Bonds

Subject to the conditions set forth in the Senior Indenture, the Agency may issue additional Senior Bonds (“Additional Senior Bonds”) payable from the Tax Revenues and secured by a lien and charge upon the Tax Revenues equal to the lien and charge securing the 1999A Bonds and any other then outstanding Senior Bonds. See “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES - Conditions for the Issuance of Additional Senior Bonds.” The Agency has covenanted in the Subordinated Indenture that it will not issue any Additional Senior Bonds so long as any Subordinated Bonds remain outstanding unless such Additional Senior Bonds are issued for the purpose of refunding then outstanding Senior Bonds.

Among other conditions to the issuance of Additional Senior Bonds, the Tax Revenues (which for this purpose shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations or any taxes received as a result of an ad valorem tax rate in excess of 1% unless such tax rate is reasonably expected, as set forth in a certificate of the Agency and a letter from Bond Counsel filed with the Trustee, to be levied throughout the term of the Additional Senior Bonds and all then outstanding Senior Bonds) based upon the assessed valuation of taxable property in the Project Area as shown on the equalized assessment roll (or, if available, the then current preliminary assessment roll provided by the Assessor of the County) next preceding the date of the Agency’s delivery of the supplemental indenture providing for the issuance of such Additional Senior Bonds shall be in an amount equal to at least 1.25 times the Maximum Annual Debt Service on all then outstanding Senior Bonds and such Additional Senior Bonds and any unsubordinated loans, advances or indebtedness payable from Tax Revenues pursuant to the Redevelopment Law.

For purposed of the issuance of Additional Senior Bonds, there shall not be included as Additional Senior Bonds any Senior Bonds the proceeds of which are deposited in an escrow fund held by the Trustee, provided that:

(1) A certificate of the Agency is filed with the Trustee to the effect that the proceeds of such Additional Senior Bonds, together with additional moneys, if any, deposited in such escrow fund, together with earnings to be received upon the investment of such proceeds and such moneys will be at least sufficient to pay the interest on, as it accrues and becomes due and payable in accordance with the terms of, such Additional Senior Bonds;

(2) The supplemental indenture authorizing the issuance of such Additional Senior Bonds provides that moneys may be transferred from said escrow fund only if Tax Revenues (which for this purpose shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions (other than the "homeowner's exemption") or tax rate limitations) for the then current fiscal year will be at least equal to 1.25 times Maximum Annual Debt Service on all outstanding Senior Bonds (exclusive of disqualified Senior Bonds described in the Senior Indenture), as measured without taking into account a principal amount of Senior Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and

(3) The supplemental indenture authorizing the issuance of such Additional Senior Bonds provides that Additional Senior Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

In the event Additional Senior Bonds are to be issued solely for the purpose of refunding and retiring any outstanding Senior Bonds, interest and principal payments on the outstanding Senior Bonds to be so refunded and retired from the proceeds of such Additional Senior Bonds being issued will be excluded from the foregoing computation of Maximum Annual Debt Service.

Issuance of Additional Subordinated Bonds

Subject to the conditions set forth in the Subordinated Indenture, the Agency may issue additional Subordinated Bonds ("Additional Subordinated Bonds") payable from the Subordinated Tax Revenues and secured by a lien and charge upon the Subordinated Tax Revenues equal to the lien and charge securing the 1999B Bonds and any other then outstanding Subordinated Bonds. See "APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES - Conditions for the Issuance of Additional Subordinated Bonds."

Among other conditions to the issuance of Additional Subordinated Bonds, the Subordinated Tax Revenues (which for this purpose shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations or any taxes received as a result of an ad valorem tax rate in excess of 1% unless such tax rate is reasonably expected, as set forth in a certificate of the Agency and a letter from Bond Counsel filed with the Trustee, to be levied throughout the term of the Additional Subordinated Bonds and all then outstanding Subordinated Bonds) based upon the assessed valuation of taxable property in the Project Area as shown on the equalized assessment roll (or, if available, the then current preliminary assessment roll provided by the Assessor of the County) next preceding the date of the Agency's delivery of the supplemental indenture providing for the issuance of such Additional Subordinated Bonds shall be in an amount equal to at least 1.25 times the

Maximum Annual Debt Service on all then outstanding Subordinated Bonds and such Additional Subordinated Bonds and any unsubordinated loans, advances or indebtedness payable from Subordinated Tax Revenues pursuant to the Redevelopment Law.

For purposed of the issuance of Additional Subordinated Bonds, there shall not be included as Additional Subordinated Bonds any Subordinated Bonds the proceeds of which are deposited in an escrow fund held by the Trustee, provided that:

(1) A certificate of the Agency is filed with the Trustee to the effect that the proceeds of such Additional Subordinated Bonds, together with additional moneys, if any, deposited in such escrow fund, together with earnings to be received upon the investment of such proceeds and such moneys will be at least sufficient to pay the interest on, as it accrues and becomes due and payable in accordance with the terms of, such Additional Subordinated Bonds;

(2) The supplemental indenture authorizing the issuance of such Additional Subordinated Bonds provides that moneys may be transferred from said escrow fund only if Subordinated Tax Revenues (which for this purpose shall be deemed not to include any and all payments, reimbursements and subventions specifically attributable to ad valorem taxes lost by reason of tax exemptions (other than the “homeowner’s exemption”) or tax rate limitations) for the then current fiscal year will be at least equal to 1.25 times Maximum Annual Debt Service on all outstanding Subordinated Bonds (exclusive of disqualified Subordinated Bonds described in the Subordinated Indenture), as measured without taking into account a principal amount of Subordinated Bonds which is equal to moneys on deposit in said escrow fund after each such transfer; and

(3) The supplemental indenture authorizing the issuance of such Additional Subordinated Bonds provides that Additional Subordinated Bonds shall be redeemed from moneys remaining on deposit in said escrow fund at the expiration of a specified escrow period in such manner as may be determined by the Agency.

In the event Additional Subordinated Bonds are to be issued solely for the purpose of refunding and retiring any outstanding Subordinated Bonds, interest and principal payments on the outstanding Subordinated Bonds to be so refunded and retired from the proceeds of such Additional Subordinated Bonds being issued will be excluded from the foregoing computation of Maximum Annual Debt Service.

Issuance of Subordinate Debt

From time to time the Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency, provided that the issuance of such Subordinate Debt shall not cause the Agency to exceed any applicable Plan Limitations. See “LIMITATIONS ON TAX INCREMENT REVENUES - Plan Limitations” and “APPENDIX A - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES - Definitions.”

Tax Sharing Agreements

Pursuant to Section 33401(b) of the Redevelopment Law (now repealed), a redevelopment agency could enter into an agreement to pay tax increment revenues to any taxing agency that has territory located within a redevelopment project in an amount which in the agency's determination is appropriate to alleviate any financial burden or detriment caused by the redevelopment project. These agreements normally provide for a pass-through of tax increment revenue directly to the affected taxing agency, and, therefore, are commonly referred to as “pass-through” agreements or

“tax sharing” agreements. AB 1290, enacted in 1993, repealed Section 33401(b) but did not affect pass-through agreements existing as of December 31, 1993.

School District Tax Sharing Agreement. The Agency and the City have entered into a tax sharing agreement with the Belmont School District, the Sequoia Union High School District, the San Mateo County Community College District, and the San Mateo County Office of Education (the “School District Tax Sharing Agreement”). Under the School District Tax Sharing Agreement, such districts and the County Office of Education are entitled to receive a portion of the tax increment revenues allocated to the Agency in an amount equal to 60% of “Net Revenues” (as defined in the School District Tax Sharing Agreement. Net Revenues is generally defined under the School District Tax Sharing Agreement to mean the tax increment revenues allocated to the Agency less the sum of (1) amounts due to the County pursuant to the Tax Sharing Agreement (as defined below); (2) the County’s administration fee; (3) an amount equal to 20% of the Agency’s gross tax increment revenues less the amount due to the County pursuant to clause (1) above; (4) an agreed upon administrative expense amount for each Fiscal Year; and (5) the debt service on the 1992 Bonds, the 1994 Bonds, and the City Variable Rate Note, and on any indebtedness (including the 1999A Bonds) incurred to refinance such existing indebtedness. See “APPENDIX D - FISCAL CONSULTANT’S REPORT - Pass Through Agreements” herein.

The Agency is authorized to incur certain indebtedness senior to the Agency’s obligations under the School District Tax Sharing Agreement. The 1999A Bonds will constitute senior indebtedness under the School District Tax Sharing Agreement and will have a prior lien on the tax increment revenues payable to the school districts and the County Office of Education under such agreement. However, the 1999B Bonds will not constitute senior indebtedness under the School District Tax Sharing Agreement. **Therefore, payments due to the school districts and the County Office of Education under the School District Tax Sharing Agreement will be payable from tax increment revenues prior to payments of principal of and interest on the 1999B Bonds.**

Other Tax Sharing Agreements. The Agency and the City have also entered into (i) a tax sharing agreement with the County (the “County Tax Sharing Agreement”), which provides that the County shall receive all of the tax increment revenues that it would otherwise have received but for the existence of the Redevelopment Plan, and (ii) a tax sharing agreement with the San Mateo County Mosquito Abatement District (the “Mosquito Abatement District”), which requires the Agency to pay to the Mosquito Abatement District an amount equal to 80% of the amount of tax increment revenue that the Mosquito Abatement District would otherwise receive in the absence of the Redevelopment Plan. The County and the Mosquito Abatement District have subordinated their receipt of tax increment revenues under such tax sharing agreements to the payment of the 1999A Bonds and the 1999B Bonds. The 1999A Bonds and the 1999B Bonds will have a prior lien on the tax increment revenues payable to the County and the Mosquito Abatement District under such tax sharing agreements.

The above-described tax sharing agreements, including the County Tax Sharing Agreement and the School District Tax Sharing Agreement, are collectively referred to herein as the “Tax Sharing Agreements.”

BOND INSURANCE

Payment Pursuant to Municipal Bond Insurance Policy

Ambac Assurance Corporation (the “Bond Insurer”) has made a commitment to issue separate municipal bond insurance policies (each an “Insurance Policy”) relating to the 1999A Bonds and the 1999B Bonds, respectively, effective as of the date of issuance of the 1999 Bonds. Under the terms of each Insurance Policy, the Bond Insurer will pay to the United States Trust Company of New York, in New York, New York, or any successor thereto (the “Insurance Trustee”), that portion of the principal of and interest on the 1999A or 1999B Bonds, as applicable, which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Agency (as such terms are defined in the Insurance Policy). The Bond Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the 1999A and 1999B Bonds and, once issued, cannot be canceled by the Bond Insurer.

Each Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 1999A Bonds or 1999B Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding 1999A Bonds or 1999B Bonds, as applicable, the Bond Insurer will remain obligated to pay principal of and interest on outstanding 1999A Bonds or 1999B Bonds, as applicable, on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the 1999A Bonds or 1999B Bonds, as applicable, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a 1999 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Agency has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Insurance Policies do not insure any risk other than Nonpayment, as defined in the Insurance Policies. Specifically, the Insurance Policies do not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption), or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee.

If it becomes necessary to call upon an Insurance Policy, payment of principal requires surrender of the applicable 1999 Bonds to the Insurance Trustee together with an appropriate

instrument of assignment so as to permit ownership of such 1999 Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Insurance Policy. Payment of interest pursuant to an Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the owner of the 1999 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such 1999 Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

In the event that the Bond Insurer were to become insolvent, any claims arising under the Insurance Policies would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

The Bond Insurer

Ambac Assurance Corporation (the "Bond Insurer") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$3,573,000,000 (unaudited) and statutory capital of approximately \$2,139,000,000 (unaudited) as of June 30, 1999. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Moody's Investors Service, and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the bonds.

The Bond Insurer makes no representation regarding the 1999 Bonds or the advisability of investing in the 1999 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Bond Insurer and presented under the heading "BOND INSURANCE."

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549

at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of the Bond Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and filed on March 30, 1999;
2. The Company's Current Report on Form 8-K dated March 24, 1999 and filed on March 24, 1999;
3. The Company's 1999 Proxy Statement dated March 30, 1999 and filed on March 30, 1999;
4. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1999 and filed on May 12, 1999; and
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1999 and filed on August 13, 1999.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

Ambac Assurance Year 2000 Readiness Disclosure

The issue commonly known as the Y2K problem ("Y2K") relates to whether computer programs and embedded computer chips will be able to distinguish between the year 1900 and the year 2000. In 1998, the Company commenced an initiative to assess and address any risks posed by the Y2K problem. This initiative was a high priority undertaking and considered crucial to the operation of the Company's businesses. Pursuant to this initiative, the Company assessed the risks to its businesses related to the functionality of its own computer systems and those of third parties. All phases of the initiative have been completed and the Company has substantially addressed any problems brought to light as a result of the initiative.

The initiative was comprised of a three-phase process. Phase I was an inventory analysis and impact assessment. Phase II was the testing phase during which all critical systems were tested, transactions were run through critical systems by applying various permutations and combinations of Y2K sensitive dates, and results were reviewed independently by each business unit. In Phase III, the extent of code repair was determined and remediated. The total cost of identifying, testing and remediating its critical systems was approximately \$1.1 million, \$0.4 million of which was incurred during 1999.

The Company's principal Y2K risks include risk that the Company does not successfully ready its operations for the next century. The Company, like other financial institutions, is heavily dependent upon its computer systems. Y2K problems in the Company's internal systems could result in an interruption in, or failure of, certain normal business activities or operations. Such failures could adversely affect the Company's operations. Although findings indicate that the systems supporting the Company's internal operations will be compliant, management has nevertheless developed contingent procedures in the event its critical systems should fail. These procedures have been approved by the Company's Board of Directors and are in the process of being tested.

Another potential risk is the failure by an obligor of obligations insured by the Bond Insurer and its subsidiaries to make scheduled payment of debt service due to the obligor's Y2K-related systems, thus triggering a claim under an insurance policy of the Bond Insurer. In the unlikely event a claim resulting solely from a Y2K problem occurs, the Company would utilize its sources of liquidity to pay claims and has in fact increased liquidity for such purpose. The Company would expect full recovery of such claims when Y2K problems are resolved.

Additional potential risks include the risk of disruption of Company operations due to operational failures of third parties and the risk of Y2K systems-related failure by the trustees or paying agents on transactions insured by the Bond Insurer. This latter risk is mitigated by the fact that the Bond Insurer's obligation to pay claims is related to the creditworthiness of the issuer and not the trustee.

More complete year 2000 disclosure for the Company is set forth in the Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1999 and filed with the Securities and Exchange Commission on August 13, 1999. Such information is specifically incorporated by reference herein.

No assurance is made regarding the ultimate outcome of the Company's plan, and external failures (such as failures affecting securities exchanges or funds and securities clearing organizations) could have a material adverse impact on the operations of the Company and its subsidiaries, including the Bond Insurer.

BONDOWNERS' RISKS

Investment in the 1999 Bonds involves elements of risk. The following section describes certain specific risk factors affecting the payment and security of the 1999 Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 1999 Bonds and the order of discussion of such risks does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the 1999 Bonds. There can be no assurance that other risk factors not discussed under this caption will not become material in the future.

Special Obligations

The 1999 Bonds are special obligations of the Agency, payable solely from the amounts pledged therefor under the Indentures and as such are not a debt of the City or the State or any of its political subdivisions other than the Agency to the limited extent set forth in the Indentures. In no event shall the 1999 Bonds be payable out of any funds or properties other than those of the Agency

pledged under the Indentures. The 1999 Bonds do not constitute an indebtedness in contravention of any constitutional or statutory debt limitation or restriction. Neither the members of the Agency nor any persons executing the 1999 Bonds are liable personally for the 1999 Bonds.

Reduction in Taxable Values

Tax increment revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in the Project Area caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, successful appeals by property owners for a reduction in property's assessed value, blanket reductions in assessed value due to general reductions in property values or the complete or partial destruction of such property caused by, among other eventualities, an earthquake or other natural disaster, could cause a reduction in tax increment revenues securing the 1999 Bonds. Such reduction of tax increment revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on the 1999 Bonds.

Assessment Appeals

If a taxpayer disagrees with the valuation assigned by the County Assessor to its property, an assessment appeal can be filed. Appeals filed against assessments could potentially lower taxable values originally determined by the County Assessor, if adjudication is in favor of the property owner. If an appeal which is resolved in favor of the property owner relates to property located in the Project Area, a reduction in the Agency's tax increment revenues could result. For additional information regarding appeals in the Project Area, see "FINANCIAL INFORMATION REGARDING TAX REVENUES - Assessment Appeals."

Reduction in Inflationary Rate

As described in greater detail below (see "LIMITATIONS ON TAX INCREMENT REVENUES"), Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis. The projection of tax increment revenues to be allocated to the Agency set forth in the Fiscal Consultant's Report set forth in Appendix D hereto and in the Coverage Summary table set forth herein assume annual inflation increases of 2% per year through fiscal year 2008-09 and 1.8% per year thereafter. Annual inflation increases less than those assumed could cause actual tax increment revenues received by the Agency to be less than the amounts set forth in Appendix D and in the Coverage Summary table.

Changes in the Law

There can be no assurance that the California electorate will not adopt voter initiatives or that the state legislature will not enact legislation that will amend the Redevelopment Law or other laws or the State Constitution resulting in a reduction of the Agency's tax increment revenues.

Levy and Collection of Taxes

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could

reduce the Agency's tax increment revenues and, accordingly, could have an adverse impact on the ability of the Agency to make debt service payments on the 1999 Bonds. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments on the 1999 Bonds. Although the County has adopted the Teeter Plan, whereby the County allocates tax increment revenues to the Agency based on the amount of the tax levy rather than based on the amount of tax increment actually collected, the County could discontinue the Teeter Plan at any time.

State Budget

In connection with its approval of a budget for the 1993/94 fiscal year, the State Legislature enacted Senate Bill 1135 which, among other things, reallocated approximately \$65 million from redevelopment agencies to school districts by shifting approximately 5.675% of each agency's tax increment, net of amounts due to other taxing agencies, to the Educational Revenue Augmentation Fund ("ERAF") to benefit school districts for the 1993/94 and 1994/95 fiscal years. The Agency met the fiscal year 1992/93 requirements (in the amount of \$319,080), and the fiscal year 1993/94 requirements (in the amount of \$89,452), on a current basis. While no such ERAF contribution was required or budgeted in subsequent fiscal years, the Agency cannot predict whether future State Budget legislation will further divert moneys from redevelopment agencies.

Risk of Earthquake and Other Natural Disasters

The San Francisco Bay Area is a seismically active area. There are several geological faults in the San Francisco Bay Area, including the San Andreas, Hayward, and Calaveras faults, that have the potential to cause earthquakes that could result in serious damage to buildings, roads, bridges, and other property and infrastructure within the Project Area.

In the event of a severe earthquake, fire, flood, or other natural disaster, there may be significant damage to property and infrastructure in the Project Areas. As a result, the property owners may be unable or unwilling to pay the property taxes when due. In addition, the assessed valuation of property in the Project Areas could be reduced in the aftermath of such a natural disaster, reducing the tax increment revenues allocated to the Agency.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the 1999 Bonds, the Agency has covenanted in the Indentures to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended, relative to arbitrage and avoidance of characterization as private activity bonds, among other things. The interest on the 1999 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the 1999 Bonds as a result of acts or omissions of the Agency in violation of covenants in the Indenture. See "TAX MATTERS" herein.

Potential Delays Due to Year 2000 Computer Problem

General. The inability of many computer programs to distinguish between the years 2000 and 1900 (the "Year 2000 Problem") could disrupt the ability of the Agency, the County, and others to provide services in general and services pertaining to the identification and payment of tax increment revenues and/or could increase the cost of providing such services. For example, the Year 2000 Problem could impede or make more costly (i) the County's collection and payment of tax

increment revenues and the Agency's compliance with ongoing disclosure requirements and with restrictions applicable to investment yield and rebate; (ii) the Trustee's maintenance of the funds and accounts held by it under the Indentures; and (iii) DTC's (and its Direct Participants' and Indirect Participants') distributions to the Beneficial Owners of the 1999 Bonds of their respective shares of the principal of and interest on the 1999 Bonds. The Agency believes that its computers and software will be Year 2000 compliant by the end of 1999 and that it will be able to provide the services described above for which it is responsible without interruption after 1999.

The following information regarding the County, the Trustee, and DTC has been provided to the Agency by the respective parties and has not been independently verified. The Agency makes no representation as to the accuracy or completeness of such information. The Agency makes no representations concerning whether the County, the Trustee, DTC Participants, or DTC will be Year 2000 compliant.

The County. The County has indicated that its property tax systems, which will be responsible for the billing, collection and distribution of the tax increment revenues to be allocated to the Agency, have been successfully tested for Year 2000 compliance.

The Trustee. The Trustee has established a Year 2000 compliance program consisting of, among other things, updating major proprietary application systems and evaluating the Year 2000 compliance efforts of vendors of major vendor-supplied systems and certain other business partners. The Trustee believes that its Year 2000 compliance program is currently on schedule to meet the needs of its customers and the compliance deadlines defined by its regulators. As of December 31, 1998, testing and renovation of the proprietary application systems that the Trustee deems "mission critical" were substantially completed and these systems are currently being used by the Trustee. In addition, all vendor supplied software systems that the Trustee deems mission critical have been tested and, based upon such testing, the Trustee believes that such systems will not be adversely affected in a material way by the date change to the Year 2000.

Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of suppliers, customers and other business partners, the Trustee is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Trustee and its ability to perform its obligations under the Indentures. The Year 2000 compliance program is intended to reduce significantly the Trustee's level of uncertainty about the Year 2000 problem and, in particular, the Year 2000 compliance and readiness of the Trustee and its material business partners. The Trustee believes that, with completion of its Year 2000 compliance program as scheduled, the possibility of significant interruptions of normal operations should be reduced. However, because of the unprecedented nature of the Year 2000 problem, there can be no certainty as to its impact.

DTC. DTC management is aware that some computer applications, systems and the like for processing data ("Systems") that are dependent upon calendar dates, including dates before, on, and after January 1, 2000, may encounter "Year 2000 problems." DTC has informed its Participants and other members of the financial community (the "Industry") that it has developed and is implementing a program so that its Systems, as the same relate to the timely payment of distributions (including principal and income payments) to securityholders, book-entry deliveries, and settlement of trades within DTC ("DTC Services"), continue to function appropriately. This program includes a technical assessment and a remediation plan, each of which is complete. Additionally, DTC's plan includes a testing phase, which is expected to be completed within appropriate time frames.

However, DTC's ability to perform properly DTC Services is also dependent upon other parties, including but not limited to issuers and their agents, as well as third party vendors from whom DTC licenses software and hardware, and third party vendors on whom DTC relies for information or the provision of services, including telecommunication and electrical utility service providers, among others. DTC has informed the Industry that it is contacting (and will continue to contact) third party vendors from whom DTC acquires services to: (i) impress upon them the importance of such services being Year 2000 compliant; and (ii) determine the extent of their efforts for Year 2000 remediation (and, as appropriate, testing) of their services. In addition, DTC is in the process of developing such contingency plans as it deems appropriate.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

LIMITATIONS ON TAX INCREMENT REVENUES

Property Tax Limitations - Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors.

Article XIII A further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIII A was adopted in August 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1% limitation. On September 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

In the general election held November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIII A. Proposition 58 amends Article XIII A to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIII A, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first \$1,000,000 of other property between parents and children.

Proposition 60 amends Article XIII A to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster, and in certain other minor or technical ways.

Challenges to Article XIII A

California trial and appellate courts have upheld the constitutionality of Article XIII A’s assessment rules in three significant cases. The United States Supreme Court in an appeal to one of these cases upheld the constitutionality of Article XIII A’s tax assessment system. The Agency cannot predict whether there will be any future challenges to California’s present system of property tax assessment and cannot evaluate the ultimate effect on the Agency’s receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIII A, \$1.00 per \$100 assessed valuation.

The apportionment of property taxes in fiscal years after 1978/79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978/79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies. Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy (\$1.00 per \$100 taxable valuation) and the bonded debt tax rate.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

Proposition 87

Under prior State law, if a taxing entity increased its tax rate to obtain revenues to repay voter approved general obligation bonds, any redevelopment project area which included property affected by the tax rate increase would realize a proportionate increase in tax increment. Proposition 87, approved by the voters of the State on November 8, 1988, requires that all revenues produced by a tax rate increase (approved by the voters on or after January 1, 1989) go directly to the taxing entity which increases the tax rate to repay the general obligation bonded indebtedness. As a result, redevelopment agencies no longer receive an increase in tax increment when taxes on property in the project area are increased to repay voter approved general obligation debt.

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as “secured” or “unsecured.” Secured and unsecured property are entered on separate parts of the

assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Current tax payment practices by the County provide for payment to the Agency of tax increment revenues (other than supplemental assessments) in December and April of each year. The County has adopted the Teeter Plan and therefore the Agency expects to receive 100% of its annual apportionment of tax increment allocable to the secured roll, regardless of the collection rate within the Project Area (see "Teeter Plan" below). The County also follows a policy of crediting the Agency with 100% of its annual apportionment of tax increment attributable to the unsecured roll.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due January 1 and become delinquent on the succeeding March 31. The County has adopted the Teeter Plan and therefore the Agency expects to receive 100% of its apportionment of tax increment allocable to the secured roll, net of delinquencies (see "Teeter Plan" below). The County also follows a policy of crediting the Agency with 100% of its annual apportionment of tax increment attributable to the unsecured roll. The County retains all penalties and interest collected in connection with delinquencies.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date (March 1 was used as the lien date as of the enactment of Chapter 498; however, as discussed below, the lien date was changed by legislation enacted in 1995) following the change and thus delayed the realization of increased property taxes

from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues and Subordinated Tax Revenues may increase. As a result of legislation enacted in 1995 (SB 327 and SB 722, chaptered as Chapter 499 to 497, respectively), commencing as of January 1, 1997, the lien date for locally assessed property tax has been changed from March 1 to January 1; the initial change was implemented by the use of January 1, 1997 in place of March 1, 1997 as the lien date. The first day of January for each succeeding year shall be the lien date.

Property Tax Administrative Costs. In 1990, the Legislature enacted SB 2557 (Chapter 466, Statutes of 1990) which allows counties to charge for the cost of assessing, collecting and allocating property tax revenues to local government jurisdictions on a prorated basis. Pursuant to SB 2557, the County has reduced the Agency's tax increment for its pro rate share of property tax administration costs. The projections of tax increment revenues prepared by the Fiscal Consultant take such administrative costs into account.

Teeter Plan. The San Mateo County Board of Supervisors on October 12, 1993, adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payment, penalties and interest. Pursuant to the Teeter Plan, the County establishes a tax losses reserve fund and a tax resources account and each entity levying or entitled to receipt of property taxes in the County may draw on the amount of uncollected taxes and assessments credited to its fund, in the same manner as if the amount credited had been collected.

The County is responsible for determining the amount of the tax levy on each parcel which is entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County's Auditor-Controller determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such moneys may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected. The County determines which moneys in the county treasury (including those credited to the tax losses reserve fund) shall be available to be drawn on to the extent of the amount of uncollected taxes credited to each fund for which a levy has been included. When amounts are received on the secured tax roll for the current year, or for redemption of tax-defaulted property, Teeter Plan moneys are distributed to the apportioned tax resources funds.

California State law has authorized the Teeter Plan for over 40 years; however, until 1993, it had been implemented in only five counties. Legislation signed by the Governor on July 19, 1993 provided a financial inducement to utilize this simplified accounting method. In connection with its adoption of the Teeter Plan, the County was required to advance to each participating tax entity a portion of the outstanding delinquent secured property taxes outstanding. So long as the Teeter Plan is in place, the Agency is expected to be credited with 100% of its annual apportionment of tax increment allocable to the secured roll, regardless of any delinquencies in payment of secured taxes. However, the County Board of Supervisors may discontinue the Teeter Plan at any time and there is no assurance that the Agency will continue to be credited with 100% of its annual apportionment of tax increment in the event of such discontinuation.

Unitary Taxation of Utility Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with fiscal year 1988/89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by certain railroad and utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State-assessed property is changed from March 1 to January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the 1% tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization.

Housing Set-Aside

Chapter 1337, Statutes of 1976, added Sections 33334.2 and 33334.3 to the Redevelopment Law requiring redevelopment agencies to set aside 20% of all tax increment revenues allocated and paid to redevelopment agencies from redevelopment project areas adopted after December 31, 1976 in a low and moderate income housing fund to be expended for authorized low and moderate income housing purposes (the "Housing Set-Aside Payments"). Tax Revenues and Subordinated Tax Revenues exclude amounts payable to such fund pursuant to these provisions (except to the extent permitted to be included pursuant to the definitions of Tax Revenues and Subordinated Tax Revenues) and the projections of tax increment revenues are net of such amounts.

The provisions of the Redevelopment Law regarding the funding of low and moderate income housing funds have been frequently amended since their original adoption. In addition, the interpretations of these laws by the California Attorney General and redevelopment agency legal counsel throughout the State have at times been subject to variation and change. Section 33334.6 of the Redevelopment Law provides that, under certain circumstances, redevelopment agencies may defer, in whole or in part, Housing Set-Aside Payments. However, the projections of Tax Revenues and Subordinated Tax Revenues assume that the Agency will not defer Housing Set-Aside Payments,

and that amounts computed net of the Housing Set-Aside Payments will be the only revenues available for payment on the 1999 Bonds.

Appropriations Limitations: Article XIII B of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIII B to the California Constitution. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

The California Legislature has added Section 33678 to the Redevelopment Law which provides that the allocation of tax revenues to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIII B, nor shall such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State of California, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions, *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. The plaintiff in *Brown* petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition and therefore the earlier court decisions are now final and binding. On the basis of these court decisions, the Agency does not believe it is subject to Article XIII B and has not adopted an appropriations limit.

Future Initiatives

Article XIII A, Article XIII B and Proposition 62 were each adopted as measures that qualified for the ballot pursuant to California initiative process. From time to time other initiative measures could be adopted, further affecting Agency revenues or the Agency's ability to expend revenues.

Certification of Agency Indebtedness

Section 33675 of the Redevelopment Law provides for the filing not later than the first day of October of each year with the county auditor, a statement of indebtedness certified by the chief fiscal officer of the agency for each redevelopment project which receives tax increments. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose and interest rate of such bonds and the outstanding balance and amount due on such bonds. Similar information must be given for each loan, advance or indebtedness that the agency has incurred or entered into to be payable from tax increment.

Section 33675 also provides that the county auditor is limited in payment of tax increment to a redevelopment agency to the amounts shown on the agency's statement of indebtedness. The section further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action will involve only the amount of the indebtedness and not the validity of any contract or debt instrument, or any expenditures pursuant thereto. An exception is made for payments to a trustee under a bond

indenture, which shall not be disputed in any action under the section. The 1999 Bonds should be entitled to the protection of that portion of the statute so that they cannot be disputed by the County auditor.

Plan Limitations

Under the terms of the Redevelopment Plan, no more than \$900,000,000 of tax increment generated within the Project Area may be allocated to the Agency. As of June 30, 1999, the Agency had received an aggregate of approximately \$31,676,803 of tax increment revenues for the Project Area. See “FINANCIAL INFORMATION REGARDING TAX REVENUES - Historic Tax Revenues” herein.

The Redevelopment Plan provides that no more than \$125,000,000 principal amount of bonds to be repaid in whole or in part from tax increment shall be outstanding at any one time. Upon the issuance of the 1999 Bonds, the Agency will have a \$27,745,000 principal amount of outstanding bonds to be repaid from tax increment. See “THE AGENCY - Outstanding Indebtedness of the Agency” herein.

In accordance with the Redevelopment Reform Act of 1993 (“AB 1290”), the Redevelopment Plan was amended by Ordinance No. 887, adopted on November 8, 1994, to establish (i) January 1, 2004, as the deadline for the Agency to establish indebtedness, (ii) November 24, 2021, as the termination date of the effectiveness of the Redevelopment Plan, and (iii) November 24, 2031, as the deadline for the Agency to pay indebtedness or receive tax increment revenues. The limitations adopted pursuant to AB 1290 are subject to certain exceptions related to housing obligations of the Agency. After the termination date of the effectiveness of the Redevelopment Plan, the Agency shall continue to have authority to act pursuant to the Redevelopment Plan to pay previously incurred debt and to enforce existing covenants, contracts, or other obligations.

The time and dollar limitations described above (collectively referred to herein as the “Plan Limitations”) can be extended only by an amendment of the Redevelopment Plan. The Agency believes that these limitations will not impede its ability to develop the Project Area in accordance with the Redevelopment Plan nor impair its ability in the future to repay any obligation or indebtedness, including the 1999 Bonds, incurred by the Agency in connection with the implementation of the Redevelopment Plan.

The Agency has covenanted under the Indentures to manage its fiscal affairs in a manner which enables it to comply with the Plan Limitations, and not to issue any bonds, notes or other obligations which would cause the Plan Limitations to be exceeded or violated.

THE AGENCY

Agency Members

The Belmont Redevelopment Agency was activated in 1981 by Ordinance of the City Council pursuant to the Redevelopment Law. The five members of the City Council serve as governing body of the Agency, and exercise all rights, powers, duties and privileges of the Agency. The members of the governing body of the Agency are as follows:

<u>Term Expires</u>	<u>Member</u>
---------------------	---------------

November 1999	Coralin Feierbach
November 2001	Terri Cook
November 1999	Adele Della Santina
November 2001	Eleanore Hahn
November 2001	Pamel Rianda

Agency Administration

The City is a general law city and operates according to the Council/Manager form of government. The City Manager is appointed by the City Council to administer the City's staff and generally implement policies established by the City Council. Current City staff assigned to administer the Agency are listed below, with their City title followed by their Agency title:

Susan Westman: City Manager; Executive Director of the Agency
 Thomas E. Fil: Finance Director for the City; Financial Officer of the Agency
 Dan Vanderpriem: Planning and Community Development Director;
 Administrative Officer of the Agency

The Agency has an arrangement with the City for financial assistance and services, facilities and personnel support. As moneys become available, the Agency reimburses the City for all such services performed in amounts equal to a portion of the gross salary and employee fringe benefits for certain City employees utilized by the Agency plus other miscellaneous operating and equipment costs.

Agency Powers

All powers of the Agency are vested in its members. Pursuant to the Redevelopment Law, the Agency is a separate public body and exercises governmental functions, including planning and implementing redevelopment projects.

The Agency may exercise the right to issue bonds for authorized purposes and to expend their proceeds, and the right to acquire, sell, rehabilitate, develop, administer or lease property. The Agency may demolish buildings, clear land and cause to be constructed certain improvements, including streets, sidewalks, and utilities, and can further prepare for use as a building site any real property which it owns or administers.

The Agency may, from any funds made available to it for such purposes, pay for all or part of the value of land and the cost of buildings, facilities or other improvements to be publicly owned and operated, provided that such improvements are of benefit to a redevelopment project and cannot be financed by any other reasonable method. The Agency may not construct or develop buildings, with the exception of public buildings and housing, and must sell or lease cleared property which it acquires within a redevelopment project for redevelopment in conformity with a particular redevelopment plan, and may further specify a period within which such redevelopment must begin and be completed.

Outstanding Indebtedness of the Agency

Outstanding Bonded Indebtedness. The Agency currently has outstanding \$4,210,000 aggregate principal amount of its 1992 Bonds and \$6,975,000 aggregate principal amount of its 1994 Bonds. If sufficient savings exist at the time of the pricing of the 1999A Bonds, then the 1992 Bonds and the 1994 Bonds will be advance refunded and defeased from a portion of the proceeds from the

sale of the 1999A Bonds and certain other available moneys. Any 1992 Bonds or 1994 Bonds that are not defeased upon the issuance of the 1999A Bonds will be payable from Tax Revenues on a parity with the 1999A Bonds.

The Agency also has outstanding \$3,010,000 aggregate principal amount of its Los Costanos Community Development Project Area Housing Set-Aside Tax Allocation Bonds (Taxable), Series 1996 (the “1996 Bonds”). The 1996 Bonds are payable from Housing Set-Aside Payments and are not secured by Tax Revenues or Subordinated Tax Revenues.

City Variable Rate Note. The City Variable Rate Note is currently outstanding in the approximate amount of \$2.9 million. Upon the issuance of the 1999A Bonds, a portion of the proceeds from the sale of the 1999A Bonds will be used to pay in full the City Variable Rate Note.

Other Obligations. The City has agreed to advance funds to the Agency for administrative and project costs incurred by the Agency, including tax rebates. The Agency is obligated to repay such advances plus interest thereon at the same interest rate as the City earns on its investments in the California Local Agency Investment Fund. The Agency’s obligation to repay such advances from tax increment revenues is subordinate to payment of principal of and interest on the Senior Bonds from Tax Revenues and to payment of principal of and interest on the Subordinated Bonds from Subordinated Tax Revenues.

Financial Statements

Included in this Official Statement as Appendix B are the audited financial statements of the Agency for the year ended June 30, 1998, reproduced from the report thereon rendered by Maze & Associates, independent accountants for the Agency.

THE PROJECT AREA

Redevelopment Plan

Under the Redevelopment Law, every redevelopment agency is required to adopt, by ordinance, a redevelopment plan for each redevelopment project specifically authorized in the adopted redevelopment plan. A redevelopment plan is a legal document, the content of which is largely prescribed in the Redevelopment Law rather than a “plan” in the customary sense of the word.

On November 24, 1981, the City Council adopted the Los Costanos Community Development Plan by Ordinance No. 692. On September 10, 1991, the City Council adopted a First Amended and Restated Los Costanos Community Development Plan by Ordinance No. 849, which was amended by Ordinance No. 887 adopted on November 8, 1994 (as amended, the “Redevelopment Plan”).

The overall objective of the Redevelopment Plan is to eliminate blighted conditions in the Project Area by undertaking all appropriate projects pursuant to the Redevelopment Law. The general goals of the Redevelopment Plan may be summarized as follows;

1. To provide a more diversified and stable economic base for the Project Area and community.

2. To provide safer, more efficient, and economical movement of persons and goods within the community, and to provide adequate parking facilities within the Project Area.
3. To conserve and improve existing public facilities and to provide new and/or replacement facilities as needed for the full and complete development of the Project Area and community.
4. To provide assistance to the residents of the Project Area and City in the improvement of their homes, and to provide additional housing opportunities for all economic segments of the Project Area, community and region.
5. To provide additional employment opportunities for residents of the Project Area and community.
6. To create, conserve and protect those natural areas and environmental qualities that contribute to the beauty and character of the Project Area and community.
7. To strengthen and improve the existing economic base of the City via the provision of financial assistance.
8. To accomplish these goals with a minimum displacement of any residential homeowner, renter or business.

Description of the Project Area

The Los Costanos Community Development Project (the “Project Area”) is located in the City of Belmont. It consists of approximately 560 acres and extends approximately 1.5 miles northwest to southeast on both sides of the corridor formed by the El Camino Real (State Route 82) and the Caltrain railroad tracks. Currently, there are close to 1,000 parcels in the Project Area under various ownership. Approximately 493 acres of the Project Area is in the downtown commercial section of Belmont, which centers around the intersection of El Camino Real and Ralston Avenue west of U.S. 101 (the Bayshore Freeway). The remaining 67 acres of the Project Area lies immediately to the east of U.S. 101, both north and south of the Marine World Parkway.

Approximately 40% of the Project Area is developed with single-family residences and accessory structures on a variety of lot sizes ranging from 5,000 to 9,600 square feet in area. Approximately 20% of the Project Area is developed with multi-family residences, in the form of apartments, townhouses, condominiums and duplexes, with a range of densities from seven to 30 dwelling units per acre. Approximately 30% of the Project Area is developed commercially, with a mix of office commercial, retail commercial and service commercial land uses. Developed commercial uses include four shopping centers along El Camino Real with a variety of tenants. The area east of U.S. 101, including the areas known as Island Park and Shoreway, consists of approximately 67 acres and is zoned commercial and residential. Service commercial land uses, such as automobile repair, are predominantly located between El Camino Real and Old County Road, which streets run on either side of the Caltrain railroad tracks. Parcels along the railroad tracks are smaller in size, ranging from 2,000 to 5,000 square feet, whereas other commercially zoned and used parcels within the Project Area include parcels as large as 40,000 square feet. The remaining 10% of the Project Area is zoned as and used for industrial purposes.

Development in the Project Area

The Redevelopment Plan provides for redevelopment within the Project Area, consisting of the major downtown and commercial areas of the City and certain residential areas of the City. A variety of development projects have recently been completed or are currently underway within the Project Area. In addition, the City expects that several additional developments will commence and be completed in the next few years.

Private Development. A number of private developments have been completed in the Project Area in the past few years. Safeway Stores completed the expansion of its existing store (increasing its size from approximately 26,000 square feet to approximately 40,000 square feet) located along Sixth Avenue, Waltermire Street, and Emmett Streets in October 1997 and completed construction of an additional 8,000 square feet of new commercial shops located at 1200 El Camino Real in the summer of 1999. A new 72-room Holiday Inn hotel located at 1650 El Camino Real, with an assessed valuation of approximately \$3.5 million, was completed in September 1998. The Village Center Project, a 15,000 square foot commercial center located at 1000 El Camino Real (on the corner of El Camino Real and Ralston Avenue) with an assessed valuation of approximately \$4 million, is substantially complete, with opening anticipated for November 1999.

Several private development projects are currently under construction in the Project Area, including approximately 87,500 square feet of office space for the Oracle Corporation located at 401 Island Parkway (expected to have a total assessed valuation of approximately \$15.9 million); a 65-unit senior housing project located at 900 Sixth Avenue (expected to have a total assessed valuation of approximately \$74 million); and a 21-unit multifamily residential project (Oxford Place Subdivision) located at Oxford Way (expected to have a total assessed valuation of approximately \$4.0 million).

The private development projects discussed above have resulted in some increases in the assessed valuation of the property in the Project Area. These development projects are projected to add additional assessed valuation to the Project Area in fiscal year 2000-01 in the aggregate amount of \$22,437,500, as shown in the following table.

<u>Project Description</u>	<u>Estimated Increase in Assessed Valuation for Fiscal Year 2000-01</u>
Oracle Corporation Phase I (87,500 square feet; commercial)	\$10,937,500
Senior housing (65 units; residential)	6,000,000
Oxford Place Subdivision (21 units; residential)	3,900,000
Village Center (15,000 square feet; retail/commercial)	1,200,000
Safeway Retail Shops (8,000 square feet; retail/commercial)	<u>400,000</u>
Total	\$22,437,500

The Agency anticipates that within the next six months construction will begin on an expansion of Motel 6 (approximately 100-room increase) located on Shoreway Road and on an expansion of the Oral-B/Gillette Canada building (approximately 38,765 square foot increase) located at 600 Clipper Drive. Building permits have not yet been issued for these projects and there can be no assurances that such projects will be completed. These anticipated development projects are projected to add new assessed valuation to the Project Area in fiscal year 2001-02 in the amounts of \$1,800,000 and \$4,845,625, respectively.

Pursuant to an Owner Participation Agreement and Development Agreement dated October 27, 1988 among the Agency, the City, and the Oracle Corporation, Oracle Corporation is currently planning a Phase II expansion consisting of approximately 235,000 square feet of office space. The Agency anticipates that construction of the Phase II expansion will begin by the spring of 2001. A building permit has not yet been issued for this project and there can be no assurances that such project will be completed. This anticipated development project is projected to add new assessed valuation to the Project Area in fiscal year 2002-03 in the amount of \$29,375,000, based on an estimated valuation of \$125 per square foot.

Public Projects. The Agency has approved a five-year capital improvement program for public projects for the period from fiscal year 1999-2000 through fiscal year 2003-04 totaling \$1,903,000, exclusive of low and moderate income housing projects. The projects include Agency expenditures to facilitate improvements to the downtown commercial building facades, street maintenance and improvements, sidewalk repair and replacement, street tree replacement, and various beautification improvements to Old County Road.

In addition to the Agency's five-year capital improvement program, several significant public projects are underway in the Redevelopment Project Area.

One of those projects is the City Hall Retrofit/Police Facility project. This project includes construction of a new police facility within the existing City Hall building located at 1070 Sixth Avenue. The City Hall Retrofit/Police Facility project also includes seismic retrofitting and remodeling of the existing 44,000 square foot structure for a total estimated cost of \$9.7 million. Approximately 90% of the building will be used for municipal purposes with the remainder leased as commercial office space. That portion of the facilities leased as commercial office space to private businesses will remain on the tax roll. The Agency contribution towards this project is expected to be approximately \$2.23 million.

Another project is the \$95.3 million Ralston/Harbor/Holly (RHH) Grade Separation project. The RHH Grade Separation project is a joint managed project of the cities of Belmont and San Carlos and involves construction of three grade separations (bridges) along the Peninsula Corridor Joint Powers Board (Railway) right of way. Grade separations are designed to improve traffic circulation at the intersections of El Camino Real at Ralston Avenue and Harbor Boulevard in the City of Belmont and Holly Street in the City of San Carlos. The Agency used a portion of the 1994 Bond proceeds towards the RHH Grade Separation project. Additionally, the cities of Belmont and San Carlos have obtained funding commitments from the San Mateo County Transportation Authority in the amount of \$56.4 million from Measure A sales tax proceeds and the State of California in the amount of \$35.3 million from various grants. The project is scheduled for completion in the summer of 2000.

The South County Fire Protection Authority (the "Authority") provides fire protection, suppression, and paramedic services for the cities of Belmont and San Carlos. The Authority's 1999-2000 budget authorized construction of a 9,000 square foot fire station at the intersection of Granada Street and Ralston Avenue. This \$2.4 million facility is expected to be placed in service during the winter of 2001 and will serve as the Authority's first responder fire station. The project is funded in its entirety by the Authority on land owned by the Belmont Fire Protection District.

The City of Belmont is participating with the City of Redwood City in construction of a \$14.9 million interchange improvement project located at the intersection of Ralston Avenue and State Highway 101. This project includes extensive reconfiguration and expansion of the roadway

system to improve traffic circulation into and out of the City of Belmont's Belmont Shores and the City Redwood City's Redwood Shores areas. Funding for this project includes \$3.8 million from the City of Belmont, \$1 million from developers and \$10.1 million from the City of Redwood City. The project is currently scheduled for completion in the summer of 2002, although it is subject to approval by the California Department of Transportation.

FINANCIAL INFORMATION REGARDING TAX REVENUES

Historical Incremental Assessed Valuations

The base year valuation for the Project Area was established in the fiscal year ending June 30, 1982. The following table shows historical incremental assessed valuation within the Project Area for the fiscal years 1982-83 through 1999-2000.

Belmont Redevelopment Agency Los Costanos Community Development Project Area Historical Incremental Assessed Valuation

<u>Fiscal Year Ending June 30</u>	<u>Total Assessed Valuation</u>	<u>Incremental Assessed Valuation ⁽¹⁾</u>	<u>Change in Incremental Assessed Valuation From Previous Year</u>
1983	\$157,135,342	\$21,536,072	--
1984	171,237,981	35,638,711	65.48%
1985	184,060,881	48,461,611	35.98
1986	201,153,514	65,554,244	35.27
1987	234,842,064	99,242,794	51.39
1988	246,823,012	111,223,742	12.07
1989	254,810,733	119,211,463	7.18
1990	275,154,532	139,555,262	17.07
1991	313,264,539	177,665,269	27.31
1992	349,801,313	214,202,043	20.56
1993	376,194,509	240,595,239	12.32
1994	389,900,944	254,301,674	5.70
1995	397,847,297	262,248,027	3.12
1996	420,827,405	285,228,135	8.76
1997	441,467,705	305,868,435	7.24
1998	483,248,340	347,649,070	13.66
1999	508,606,319	373,007,049	7.29
2000	551,190,752	415,591,482	11.42

Source: County of San Mateo.

⁽¹⁾ Total assessed valuation in excess of the Agency's 1981-82 base year assessed valuation of \$135,599,270.

Historical Tax Increment Revenues

The following table shows the historical tax increment revenues derived from the Project Area from fiscal year 1982-83 through fiscal year 1998-99.

Belmont Redevelopment Agency Los Costanos Community Development Project Area Historical Receipt of Tax Increment Revenues

Fiscal Year Ending June 30	Secured Tax Increment ⁽¹⁾	Unsecured Tax Increment ⁽¹⁾	Total Tax Increment	Change From Prior Year
1983	\$ 204,259	\$ 19,637	\$ 223,896	--
1984	345,516	25,797	371,313	65.84%
1985	421,077	49,022	470,099	26.60
1986	551,283	91,154	642,437	36.65
1987	904,962	107,082	1,012,044	57.53
1988	1,021,692	88,859	1,110,551	9.73
1989	1,120,657	95,548	1,216,205	9.51
1990	1,304,149	109,381	1,413,530	16.22
1991	1,634,338	158,628	1,792,966	26.84
1992	2,053,024	104,594	2,157,618	20.33
1993	2,323,198	121,174	2,444,372	13.29
1994	2,460,182	93,105	2,553,287	4.45
1995	2,592,841	91,614	2,684,455	5.13
1996	2,773,853	288,289	3,062,142	14.06
1997	2,930,429	179,739	3,110,168	1.56
1998	3,257,703	277,946	3,535,649	13.68
1999	3,703,754	172,317	3,876,071	9.62

Source: County of San Mateo

⁽¹⁾ Includes unitary revenue.

⁽²⁾ For fiscal years prior to 1999-2000, housing set-aside amounts were calculated by the Agency after deducting amount waived by the Agency under the County Tax Sharing Agreement. In future years, the Agency intends to calculate the housing set-aside amounts on total tax increment prior to deducting the County's share.

Projected Tax Increment Revenues and Debt Service Coverage

The following table shows the projected tax increment revenues for the Project Area, annual debt service on the 1999 Bonds, amounts available to pay debt service on the 1999 Bonds, and the resulting projected debt service coverage for fiscal years 1999-2000 through 2028-29. For fiscal years 1999-2000 through 2008-09, the projected tax increment revenues are summarized from the Fiscal Consultant's Report. See "APPENDIX D - FISCAL CONSULTANT'S REPORT." For fiscal years after 2008-09, the projected tax increment revenues are calculated assuming that assessed values will increase at the rate of 1.8% per year.

**Redevelopment Agency
Los Costanos Community Development Project Area
Debt Service Coverage Summary**

Fiscal Year Ending June 30	Projected Tax Increment Revenues ⁽¹⁾	1999A Bonds Debt Service^Δ	Tax Increment Available After 1999A Bonds Debt Service ^{Δ(2)}	Projected School District TSA Payment ^{Δ(3)}	Tax Increment Available to pay 1999B Bonds Debt Service ^{Δ(4)}	1999B Bonds Debt Service^Δ	Projected Coverage on 1999B Bonds
2000	\$3,372,732	Δ	Δ	Δ	Δ	Δ	Δ
2001	3,772,708	Δ	Δ	Δ	Δ	Δ	Δ
2002	4,066,348	Δ	Δ	Δ	Δ	Δ	Δ
2003	4,556,505	Δ	Δ	Δ	Δ	Δ	Δ
2004	4,836,170	Δ	Δ	Δ	Δ	Δ	Δ
2005	5,129,819	Δ	Δ	Δ	Δ	Δ	Δ
2006	5,438,149	Δ	Δ	Δ	Δ	Δ	Δ
2007	5,761,896	Δ	Δ	Δ	Δ	Δ	Δ
2008	6,101,831	Δ	Δ	Δ	Δ	Δ	Δ
2009	6,458,762	Δ	Δ	Δ	Δ	Δ	Δ
2010	6,575,020	Δ	Δ	Δ	Δ	Δ	Δ
2011	6,693,370	Δ	Δ	Δ	Δ	Δ	Δ
2012	6,813,851	Δ	Δ	Δ	Δ	Δ	Δ
2013	6,936,500	Δ	Δ	Δ	Δ	Δ	Δ
2014	7,061,357	Δ	Δ	Δ	Δ	Δ	Δ
2015	7,188,461	Δ	Δ	Δ	Δ	Δ	Δ
2016	7,317,854	Δ	Δ	Δ	Δ	Δ	Δ
2017	7,449,575	Δ	Δ	Δ	Δ	Δ	Δ
2018	7,583,668	Δ	Δ	Δ	Δ	Δ	Δ
2019	7,720,174	Δ	Δ	Δ	Δ	Δ	Δ
2020	7,859,137	Δ	Δ	Δ	Δ	Δ	Δ
2021	8,000,601	Δ	Δ	Δ	Δ	Δ	Δ
2022	8,144,612	Δ	Δ	Δ	Δ	Δ	Δ
2023	8,291,215	Δ	Δ	Δ	Δ	Δ	Δ
2024	8,440,457	Δ	Δ	Δ	Δ	Δ	Δ
2025	8,592,385	Δ	Δ	Δ	Δ	Δ	Δ
2026	8,747,048	Δ	Δ	Δ	Δ	Δ	Δ
2027	8,904,495	Δ	Δ	Δ	Δ	Δ	Δ
2028	9,064,776	Δ	Δ	Δ	Δ	Δ	Δ
2029	9,227,942	Δ	Δ	Δ	Δ	Δ	Δ

⁽¹⁾ Projected tax increment revenues are net of Housing Set-Aside Payments. Projections for fiscal years 1999-2000 through 2008-09 are from the Fiscal Consultant's Report (see "APPENDIX D - FISCAL CONSULTANT'S REPORT") and projections for fiscal years after 2008-09 assume that assessed values will increase 1.8% per year after fiscal year 2008-09.

^{(2)Δ} Equal to projected tax increment less 1999A Bonds debt service.

^{Δ(3)} Projected payments under the School District Tax Sharing Agreement for fiscal years 1999-2000 through 2008-09 are from the Fiscal Consultant's Report (see "APPENDIX D - FISCAL CONSULTANT'S REPORT") and projections for fiscal years after 2008-09 assume that assessed values will increase 1.8% per year after fiscal year 2008-09.

^{Δ(4)} Equal to projected tax increment available after 1999A Bonds debt service less the projected payments under the School District Tax Sharing Agreement.

Tax Rates

The following is the average secured tax rate for property located in the Project Area.

**Belmont Redevelopment Agency
Los Costanos Community Development Project Area
1999-2000 Secured Tax Rates per \$100 of Taxable Valuation**

	<u>Rate</u>
Basic Tax Levy	1.0000%
City of Belmont	.0013
Belmont Elementary School	.0122
Sequoia High School	<u>.0107</u>
Total	1.0242%

Source: Urban Futures Incorporated

Tax increment revenues resulting from override tax rates levied by a taxing agency for debt service on indebtedness used for the acquisition or improvement of real property is subject to exclusion from Agency net revenues. The Fiscal Consultant has assumed a tax rate of 1.0% in its projections of tax increment revenues. See "APPENDIX D - FISCAL CONSULTANT'S REPORT."

Ten Largest Secured Property Assesseees

The following table shows the ten largest secured property assesseees in the Project Area, based on 1998-99 assessed valuations.

**Belmont Redevelopment Agency
Los Costanos Community Development Project Area
Ten Largest Secured Property Assesseees
(Based on 1998-99 assessed valuations)**

<u>Assessee</u>	<u>Use</u>	<u>1998-99 Taxable Value</u>	<u>% of Total Project Area Secured Value ⁽¹⁾</u>
Redwood Shores Inc.	Office Building	\$ 35,517,358	7.58%
Gillette Canada Inc.	Office Building	22,432,125	4.79
Innkeepers Summerfield Gen LP	Hotel	21,983,228	4.69
Oracle Corporation	Office/Vacant	11,778,257	2.51
McLellan Estate Co.	Apartments	10,064,318	2.15
Donald & Sally Lucas ⁽²⁾	Auto Dealership	9,086,120	1.94
Ronald Lynn Campbell TR	Hotel	7,980,224	1.70
French Village LLC	Apartments	7,664,358	1.64
Safeway Stores Inc.	Supermarket	6,815,989	1.46
Normandy Square Assoc. LLC	Apartments	<u>6,789,972</u>	<u>1.45</u>
Total		\$140,111,949	29.91%

Source: Urban Futures Incorporated

⁽¹⁾ The secured taxable value of the Project Area for 1998-99 was \$468,392,396 (including unitary assessed values).

⁽²⁾ This assessee had a successful appeal of valuation for 1997-98, which reduced the taxable valuation of A.P.N. 040 360 400 from \$8,745,900 to \$8,250,000. There are currently no outstanding assessment appeals on file with the County for any of the ten largest assesseees.

Assessment Appeals

During the period from 1995-96 through 1998-99, property tax appeals by landowners within the Project Area resulted in assessed valuation reductions totaling \$3,273,179. In addition, there is one pending appeal related to a property with a current assessed valuation of \$337,029.

The projection of tax increment revenues to be allocated to the Agency set forth in the Fiscal Consultant's Report set forth in Appendix D hereto and in the Coverage Summary table set forth herein do not include any specific adjustments for assessment appeals. Any reduction of assessed valuations could result in a reduction of the Tax Revenues and Subordinated Tax Revenues, which in turn could impair the ability of the Agency to make payments of principal of and interest on the 1999 Bonds when due.

The following table sets forth certain information concerning assessment appeals with respect to the Project Area.

**Belmont Redevelopment Agency
Los Costanos Community Development Project Area
History of Assessment Appeals**

<u>Fiscal Year</u>	<u>Reduction in Assessed Valuation</u>
1995-96	\$1,473,124
1996-97	290,891
1997-98	495,900
1998-99	1,013,264

Source: County of San Mateo

Delinquency Rate

The following table sets forth certain information covering the delinquency rate historically experienced as to the Project Area. See also “BONDOWNERS’ RISKS - Levy and Collection.”

**Belmont Redevelopment Agency
Los Costanos Community Development Project Area
Secured Tax Charges and Delinquencies**

<u>Fiscal Year</u>	<u>Secured Tax Charge ⁽¹⁾</u>	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
1993-94	\$4,267,403.40	\$ 62,176.64	1.46%
1994-95	4,489,438.36	143,646.77	3.20
1995-96	4,675,337.32	118,580.31	2.54
1996-97	5,005,001.78	76,457.39	1.53
1997-98	5,478,350.96	61,194.95	1.12

Source: County of San Mateo.

⁽¹⁾ All taxes collected by the County within the Project Area. Includes special charges.

Direct and Overlapping Debt

The following is a statement of direct and overlapping debt for the Project Area as of October 1, 1999.

Belmont Redevelopment Agency Los Costanos Community Development Project Area Direct and Overlapping Debt

1999-2000 Assessed Valuation	\$551,190,752
Base Year Valuation	<u>135,599,270</u>
Incremental Valuation	\$415,591,482

DIRECT DEBT:	<u>% Applicable</u> ⁽¹⁾	<u>Debt 10/1/99</u>
1992 Subordinated Tax Allocation Bonds	100%	\$ 4,210,000
1994 Subordinated Tax Allocation Bonds	100	6,975,000
1996 Housing Set-Aside Tax Allocation Bonds	100	<u>3,010,000</u>
TOTAL DIRECT DEBT		\$14,195,000 ⁽²⁾

Ratio to Incremental Valuation: 3.42%

OVERLAPPING TAX AND ASSESSMENT DEBT:		
Sequoia Union High School District	2.012%	\$ 897,553
Belmont School District	10.047	1,183,034
City of Belmont	7.293	<u>1,823</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$2,082,410

OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
San Mateo County General Fund Obligations	0.216%	\$552,009
San Mateo County Board of Education Certificates of Participation	0.216	12,182
San Mateo Community College District Certificates of Participation	0.216	2,668
Belmont School District Certificates of Participation	2.862	<u>170,718</u>
TOTAL OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$737,577

COMBINED TOTAL OVERLAPPING DEBT \$17,014,987 ⁽³⁾

(1) Based on 1998-99 Assessed Valuations.

(2) Excludes tax allocation bonds to be sold.

(3) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 1999-2000 Assessed Valuation:

Combined Total Direct and Overlapping Debt 3.09%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/99: \$0

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the 1999 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the 1999 Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the 1999 Bonds will be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative maximum taxable liability of such corporations.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest on the 1999 Bonds is based upon certain representations of fact and certifications made by the Agency, the initial purchaser of the 1999 Bonds and others and is subject to the condition that the Agency complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 1999 Bonds to assure that interest on the 1999 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 1999 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 1999 Bonds. The Agency has covenanted to comply with all such requirements.

Should the interest on the 1999 Bonds become includable in gross income for federal income tax purposes, the 1999 Bonds are not subject to early redemption as a result of such occurrence and will remain outstanding until maturity or until otherwise redeemed in accordance with the Indenture.

Bond Counsel's opinion may be affected by action taken (or not taken) or events occurring (or not occurring) after the date of the issuance of the 1999 Bonds. Bond Counsel has not undertaken to determine, or to inform any person, whether any such action or events are taken or do occur, or whether such actions or events may adversely affect the value or tax treatment of a 1999 Bond, and Bond Counsel expresses no opinion with respect thereto.

Although Bond Counsel has rendered an opinion that interest on the 1999 Bonds is excluded from gross income for federal income tax purposes provided that the Agency continues to comply with certain requirements of the Code, the accrual or receipt of interest on the 1999 Bonds may otherwise affect the tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deductions. Bond Counsel expresses no opinion regarding any such consequences. Accordingly, all potential purchasers should consult their tax advisors before purchasing any of the 1999 Bonds.

FINANCIAL ADVISOR

Fieldman, Rolapp & Associates ("FRA") has acted as financial advisor to the Agency concerning the 1999 Bonds. As financial advisor, FRA will receive compensation contingent upon the sale and delivery of the 1999 Bonds.

FISCAL CONSULTANT

The Agency has retained the firm of Urban Futures Incorporated to act as fiscal consultant (the "Fiscal Consultant") for the Agency on the Los Costanos Community Development Project Area. The full text of the Fiscal Consultant's Report is attached hereto as APPENDIX D.

UNDERWRITING

Δ Morgan Stanley Dean Witter (the "Original Purchaser") has agreed to purchase the 1999A Bonds at a purchase price of \$15,296,375.00 (representing the par amount of the 1999A Bonds less an underwriter's discount of \$79,032.35 and a net original issue discount of \$114,592.65), plus accrued interest, and has agreed to purchase the 1999B Bonds at a purchase price of \$8,615,937.50 (representing the par amount of the 1999B Bonds less an underwriter's discount of \$51,223.85 and a net original issue discount of \$57,838.65), plus accrued interest. Δ The Original Purchaser intends to offer the 1999 Bonds to the public initially at the reoffering Δ yields set forth on the inside cover page of this Official Statement, plus accrued interest^Δ from December 1, 1999. Such Δ reoffering yields may subsequently change without any requirement of prior notice.

The Original Purchaser reserves the right to join with dealers and other Δ purchasers in offering the 1999 Bonds to the public. The Original Purchaser may offer and sell 1999 Bonds to certain dealers (including dealers depositing into investment trusts) at prices lower than the public offering price, and such dealers may reallocate any such discount on sales to other dealers.

In reoffering the 1999 Bonds to the public, the Original Purchaser may overallocate or effect transactions which stabilize or maintain the market price for the 1999 Bonds at levels above those which might otherwise prevail. Such stabilization, if commenced, may be discontinued at any time.

CONTINUING DISCLOSURE

The Agency will covenant in a Continuing Disclosure Agreement to provide certain financial information and operating data relating to the Agency (the "Annual Report") by not later than the last day of the ninth month after the end of each fiscal year of the Agency (which fiscal year presently ends June 30), commencing with the report for the 1998-99 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed with each Nationally Recognized Municipal Securities Information Repository and with any then existing State Repository (collectively, the "Repositories"). Currently, there is no State Repository. The notices of material events will be filed with the Repositories. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in "APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto. These covenants will be made in order to assist the initial purchaser of the 1999 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Agency has not failed to file any continuing Disclosure Agreement or notice of material events in connection with any bonds issued by the Agency prior to the sale and delivery of the 1999 Bonds.

RATINGS

Fitch IBCA, Inc. ("Fitch"), Moody's Investors Service ("Moody's") Δ, and Standard & Poor's Ratings Group ("S&P") have assigned their municipal bond ratings of Δ"AAA," "Aaa," and Δ"AAA," respectively, to the Δ 1999A Bonds and the 1999B Bonds with the understanding

that the Insurance Policies will be issued by the Bond Insurer upon delivery of the 1999 Bonds. Fitch and Moody's have assigned underlying municipal bond ratings of "A" and "A2," respectively, to the 1999A Bonds and "A-" and "Baa1," respectively, to the 1999B Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings ^Δ **should** be obtained from **Fitch**, Moody's ^Δ **or S&P**, respectively. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance **that** such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies^Δ if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 1999 Bonds.

NO LITIGATION

There is no litigation pending or, to the Agency's knowledge, threatened to restrain or enjoin the issuance, execution or delivery of the 1999 Bonds, to contest the validity of the 1999 Bonds, the Indenture, or any proceedings of the Agency with respect thereto. In the opinion of the Agency and its counsel, there are no lawsuits or claims pending against the Agency which will materially affect the Agency's finances as to impair the ability to pay principal of an interest on the 1999 Bonds when due.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Execution and delivery of the 1999A Bonds will be subject to the delivery by Deloitte & Touche LLP of a report of the mathematical accuracy of certain computations, contained in schedules provided to them by the Financial Advisor, relating to (a) the adequacy of the maturing principal amounts of the United States government obligations held under the Escrow Agreements, interest earned thereon and certain other uninvested cash to pay principal of and interest with respect to the 1992 Bonds and the 1994 Bonds, and (b) the computations of actuarial yields relied upon by Bond Counsel to support its conclusion that 1999A Bonds are not arbitrage bonds within the meaning of Section 148 of the Code.

LEGAL MATTERS

The legality of the issuance of the 1999 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. A copy of its opinion will be substantially in the form set forth in APPENDIX E herein. Stradling Yocca Carlson & Rauth, a Professional Corporation, is also acting as Disclosure Counsel to the Agency. Certain legal matters will be passed upon for the Agency by Goldfarb & Lipman, San Francisco, California. Fees payable to Bond Counsel and Disclosure Counsel are contingent upon successful sale and delivery of the 1999 Bonds.

MISCELLANEOUS

All of the preceding summaries of the ^Δ Indentures, the Redevelopment Law, other applicable legislation, the Redevelopment Plan for the Project Area, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Agency for further information in connection therewith.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly state, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Executive Director has been duly authorized by the Agency.

BELMONT REDEVELOPMENT AGENCY

By: /s/ Susan Westman
Executive Director

APPENDIX A
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURES
[TO COME]

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE BELMONT REDEVELOPMENT AGENCY FOR THE FISCAL YEAR ENDED JUNE 30, 1998

APPENDIX C

GENERAL INFORMATION RELATING TO THE CITY OF BELMONT

Information contained in this APPENDIX C is presented as general background data. The 1999 Bonds are payable solely from the Tax Revenues and other sources as described herein. The taxing power of the City of Belmont, the State of California, or any political subdivision thereof is not pledged to the payment of the 1999 Bonds.

General

The City of Belmont (the "City"), located in San Mateo County, is situated approximately 25 miles south of San Francisco. The City covers about 4.3 square miles. Elevation in the City ranges from 10 to 750 feet above sea level.

Climate

The City enjoys mediterranean-type sun-belt weather with warm summers and mild winters. Year-round temperatures average from a January minimum of 42 degrees to a July maximum of 75 degrees. The average yearly rainfall of 18 inches occurs predominantly during the winter months. Humidity is fairly constant throughout the year at around 70%. Prevailing winds are from the southeast averaging 8-10 miles per hour.

Municipal Government

The City was incorporated as a general law city in 1926. A Council-Manager form of municipal government is utilized. Five council members, including the Mayor, appoint the City Manager to administer day-to-day affairs under the policy guidelines of the City Council. As of June 30, 1999, the City had approximately 149 full time equivalent employees. Audited 1997-98 General Fund revenues and expenditures equaled \$9,719,866 million and \$8,480,343 million, respectively. Unaudited 1998-99 General Fund revenues and expenditures equaled \$12,098,983 million and \$10,084,634 million, respectively. Budgeted 1999-2000 General Fund revenues and expenditures equal approximately \$11,912,216 and \$11,531,303, respectively.

Law enforcement services are provided by the Belmont Police Department.

Fire protection and rescue service is provided for Belmont and San Carlos by the South County Fire Authority, a joint powers authority formed by such municipalities.

Population

The City is a community with a stable population of approximately 26,100. Population has remained relatively constant since 1980.

City of Belmont Population

<u>Year</u>	<u>Population⁽¹⁾</u>
1960	14,996
1970	23,538
1980	24,505
1985	24,410
1990	24,127
1991	24,250
1992	24,550
1993	24,800
1994	25,200
1995	24,750
1996	25,000
1997	25,350
1998	25,950
1999	26,100

⁽¹⁾ As of January 1.

Source: U.S. Census Bureau for 1960, 1970, 1980 and 1990. California State Department of Finance for other years.

Effective Buying Income

The following table summarizes the total effective buying income and the median household effective buying income for the County and State for the years 1994 to 1998.

EFFECTIVE BUYING INCOME

1994 through 1998

(As of December 31)

	Area	Total	Median Household Income
1994	San Mateo County	\$ 15,458,280	\$50,629
	California	552,074,838	40,969
1995	San Mateo County	14,285,215	46,145
	California	477,840,503	34,533
1996 ⁽¹⁾	San Mateo County	14,862,432	47,876
	California	492,516,991	35,216
1997 ⁽¹⁾	San Mateo County	16,207,690	50,511
	California	524,439,600	36,483
1998 ⁽¹⁾	San Mateo County	17,481,255	52,452
	California	551,999,317	37,091

Source: Sales and Marketing Management Survey of Buying Power.

⁽¹⁾ Not comparable with 1994 and 1995. Effective Buying Income is now based upon money income (which does not take into account sale of property, taxes and social security paid, receipt of food stamps, etc.) versus personal income.

Employment

The City of Belmont is included in San Mateo County's Annual Average Labor Force and Industry Employment from the State of California Employment Development Department. The civilian labor force, employment and unemployment for San Mateo County, the State, and the United States is set forth below.

CIVILIAN LABOR FORCE EMPLOYMENT AND UNEMPLOYMENT⁽¹⁾

		Labor Force	Employment	Unemployment	Unemployment Rate (%)
1995	San Mateo County	369,000	354,000	15,600	4.2%
	California	15,412,200	14,202,800	1,209,400	7.8
	United States	132,304,000	124,900,000	7,404,000	5.6
1996	San Mateo County	376,000	363,400	12,600	3.4
	California	15,511,600	14,391,500	1,120,100	7.2
	United States	133,943,000	126,768,000	7,236,000	5.4
1997	San Mateo County	388,700	378,300	10,400	2.7
	California	15,941,200	14,936,900	1,004,300	6.3
	United States	136,297,000	129,558,000	6,739,000	4.9
1998	San Mateo County	396,700	387,100	9,600	2.4
	California	16,329,100	15,360,600	968,500	5.9
	United States	137,673,000	131,463,000	6,210,000	4.5
1999*	San Mateo County	405,000	396,700	8,300	2.1
	California	16,744,100	15,913,500	830,600	5.0
	United States	139,264,000	133,411,000	5,853,000	4.2

Source: State of California Employment Development Department.

* Data available as of August 1999.

⁽¹⁾ The figures used for the civilian labor force employment and unemployment are an annual average; data are not seasonally adjusted.

Construction Activity

Details of construction activity in the City is set forth below.

CITY OF BELMONT BUILDING PERMIT VALUATIONS (in thousands of dollars)

	1995	1996	1997	1998	1999*
Number of New Housing Units	17	108	46	19	25
VALUATIONS					
Residential					
Single Unit	\$4,008.7	\$21,875.5	\$7,400.5	\$4,554.0	\$5,053.0
Multiple Units	-0-	-0-	-0-	-0-	-0-
Alterations/Additions	3,729.5	3,901.3	4,049.5	5,663.9	5,060.6
Total Residential	\$7,738.2	\$25,776.8	\$11,450.2	\$10,217.9	\$10,113.6
Non-Residential					
New Commercial	\$ 310.0	\$7,500.0	\$3,500.0	\$ 400.0	\$8,900.0
New Industrial	-0-	-0-	-0-	-0-	-0-
Other Nonresidential	211.1	162.5	331.8	273.0	6,350.0
Non-Residential Alterations/Additions	2,925.2	1,389.1	1,498.7	1,240.0	3,105.0
Total Non-Residential	\$3,446.4	\$9,051.5	\$5,330.5	\$7,913.0	\$18,355.0
Total Valuation	\$11,184.6	\$34,828.3	\$16,780.7	\$12,130.9	\$28,468.7

Source: Construction Industry Research Board.

* Data available as of September, 1999.

Note: Totals may not add to sums because of independent rounding.

Commercial Activity

A five year summary of taxable transactions in the City is set forth below.

CITY OF BELMONT VALUATION OF TAXABLE TRANSACTIONS (in thousands of dollars)

Year	Retail Outlets		Total All Outlets	
	No. of Permits	Taxable Transaction	No. of Permits	Taxable Transaction
1994	223	\$79,403	904	\$158,198
1995	205	77,040	806	181,163
1996	196	95,172	786	179,201
1997	209	134,546	781	243,642
1998*	199	109,927	702	220,951

Source: State Board of Equalization.

* Data available through third quarter.

Average Civilian Employment by Industry

The following is a summary of average employment by industry in San Mateo County from 1993 through 1997. This data does not include self-employed persons, volunteer workers, unpaid family workers, farmers, private household workers, or persons involved in labor-management disputes.

San Mateo County Wage Salary Employment by Industry

<u>Industry</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>
Agriculture	0	2,800	2,600	2,700	3,000
Mining and Construction	10,800	11,200	11,600	13,400	15,300
Manufacturing	32,800	32,300	32,600	35,300	36,300
Transportation and Public Utilities	37,700	37,500	37,700	37,600	38,600
Wholesale Trade	20,600	20,400	20,700	20,800	21,500
Retail Trade	51,100	51,800	53,000	54,200	56,500
Finance, Insurance, Real Estate	22,200	22,200	21,200	21,600	22,600
Services	84,400	86,300	94,400	102,500	108,700
Government*	<u>31,800</u>	<u>32,100</u>	<u>32,000</u>	<u>31,100</u>	<u>30,600</u>
Total	291,400	293,500	303,100	316,500	330,100

Source: State of California, Employment Development Department.

* Includes all civilian government employees regardless of activity in which engaged.

Public Utilities

Water is supplied to the City by Belmont County Water District. Industrial waste and sewer services are furnished by the South Bayside System Authority. Electricity and natural gas is provided by Pacific Gas & Electric Company and the telephone service is supplied by Pacific Bell.

Transportation

Highways: The City is served by U.S. 101 and Interstate 280 for North/South traffic and is located halfway between State Highways 92 and 84 for East/West traffic across the bay and to the coast. Major local streets are: El Camino Real (U.S. 101), Ralston Avenue and Alameda de las Pulgas.

Rail: The City is served by Southern Pacific main line with local spurs. Commuter train service is provided by CAL TRAIN to San Francisco and San Jose from the Belmont Depot located on El Camino Real at Ralston Avenue.

Trucks: Approximately 50 common carriers serve the area including two with terminals in San Carlos. Overnight deliveries are made to all points within 500 miles and all California cities.

Bus: Regional and local bus service is provided by SamTrans (San Mateo County Transit) between San Francisco and Palo Alto. SamTrans also coordinates its service with other regional agencies (BART, Santa Clara County Transit, etc.).

Water: The City is 20 miles south of San Francisco port facilities, four miles north of Redwood City port facilities and 30 miles across the bay from the Port of Oakland.

Air: San Francisco International Airport is located 10 miles to the north. San Jose is 32 miles to the south and the neighboring (3 miles) San Carlos Airport is a local general aviation facility with a control tower and runway 2,600 feet long.

Assessed Valuations

Set forth below is a listing of the City's assessed valuations (before redevelopment adjustment) for fiscal years 1996-97 through 1999-2000.

City of Belmont Assessed Valuations

<u>June Ending June 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total</u>
1997	\$1,827,224,779	\$46,793,626	\$1,874,018,405
1998	1,933,335,022	49,659,834	1,982,994,856
1999	2,127,416,478	66,932,456	2,194,348,934
2000	2,296,128,061	59,230,677	2,355,358,738

Source: San Mateo County Assessor's Office.

APPENDIX D
FISCAL CONSULTANT'S REPORT

APPENDIX E
FORMS OF BOND COUNSEL OPINIONS

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and entered into by the Belmont Redevelopment Agency (the “Issuer”) and BNY Western Trust Company, as Dissemination Agent (the “Dissemination Agent”), in connection with the issuance of the Δ \$15,490,000 Belmont Redevelopment Agency Los Costanos Community Development Project Area Senior Tax Allocation Refunding Bonds, Series 1999A (the “1999A Bonds”) and the \$8,725,000 Belmont Redevelopment Agency Los Costanos Community Development Project Area Subordinated Tax Allocation Bonds, Series 1999B (the “1999B Bonds” and, together with the 1999A Bonds, the “Bonds”). The 1999A Bonds are being issued pursuant to an Indenture of Trust, dated as of August 1, 1992, as amended by a First Supplemental Indenture dated as of August 1, 1994 and a Second Supplemental Indenture dated as of December 1, 1999 (collectively, the “Senior Indenture”). The 1999B Bonds are being issued pursuant to an Indenture of Trust, dated as of December 1, 1999 (the “Subordinated Indenture” and, together with the Senior Indenture, the “Indentures”). The Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indentures, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bond for federal income tax purposes.

“Disclosure Representative” shall mean the Executive Director of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean BNY Western Trust Company or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purpose of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
(609) 279-3225
FAX (609) 279-5962
E-mail: Munis@Bloomberg.com

Standard & Poor’s J.J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
(212) 438-4595
FAX (212) 438-3975

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701
FAX (201) 947-0107
E-mail: nrmsir@dpcdata.com

Thomson NRMSIR
Attn: Municipal Disclosure
395 Hudson Street, 3rd Floor
New York, NY 10014
(212) 807-5001 or (800) 689-8466
FAX (212) 989-2078
E-mail: Disclosure@tfn.com

“Owner” shall mean a registered owner of the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and the State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Repository.

“Trustee” shall mean BNY Western Trust Company, in San Francisco, California, or any successor thereto.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or, upon written direction, shall cause the Dissemination Agent to, not later than the last day of the ninth month after the end of the Issuer's fiscal year (which fiscal year presently ends June 30), commencing with the report for the 1998-99 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report. The Dissemination Agent shall have no duty to review or approve the content of the Annual Report, or any part thereof. If Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than 15 Business Days prior to the latest date specified in subsection (a) for providing the Annual Report to Repositories, the Issuer shall provide the Annual Report to the Dissemination Agent. If by the latest date specified in subsection (a), the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the Issuer.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) to the extent it can confirm such filing of the Annual Report, file a report with the Trustee (if the Trustee is not the Dissemination Agent) and the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the most recently ended fiscal year, prepared in accordance with generally accepted accounting principles applicable from time to time to the Issuer. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the financial information and operating data relating to the Los Costanos Community Development Project Area for the most recently ended fiscal year of the type included in the following tables located in the Official Statement for the Bonds, as follows (to the extent not included in the Agency's audited financial statements);

(1) the table on page Δ 42 of the Official Statement entitled “Historical Incremental Assessed Valuation”;

(2) the table on page Δ 43 of the Official Statement entitled “Historical Receipt of Tax Increment Revenues”; and

(3) the table on page Δ 46 of the Official Statement entitled “Ten Largest Secured Property Assesseees”.

(c) Calculation of (i) the ratio of tax increment revenues available to pay debt service on the Senior Bonds to Maximum Annual Debt Service on the Senior Bonds and (ii) the ratio of tax increment revenues available to pay debt service on the Subordinated Bonds to Maximum Annual Debt Service on the Subordinated Bonds, in each case using tax increment revenues for the most recently completed fiscal year (to the extent not included in the Agency’s audited financial statements).

(d) Information on appeals by top ten taxpayers in the Project Area, to the extent known by the Agency after inquiry to the County of San Mateo (to the extent not included in the Agency’s audited financial statements).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if the Issuer determines that such event is material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Owners of Bonds;
- (8) bond calls;
- (9) defeasances;

- (10) release, substitution or sale of property securing repayment of the Bonds; and
- (11) rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws. The Dissemination Agent shall have no responsibility for such determination and shall be entitled to conclusively rely on the Issuer's determination.

(c) If the Issuer has determined that the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If, under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event and has received a notice of the occurrence in a format suitable for filing with each Repository, the Dissemination Agent shall file a notice of such occurrence with the Repositories and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture. Notice of a Listed Event is only required under this Section 5 following the occurrence of the Listed Event.

(f) The Dissemination Agent may conclusively rely on an opinion of counsel that the Issuer's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

SECTION 6. Termination of Reporting Obligation. The Issuer's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing 30 days written notice to the Issuer. If at any time there is no designated Dissemination Agent appointed by the Issuer, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the Issuer shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any person succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder at any time upon notice to the Issuer.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Dissemination Agent may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) The undertaking, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The proposed amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

(d) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its respective duties or obligations hereunder. The Dissemination Agent may rely on an opinion of counsel that the amendment or waiver complies with the requirements of the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice if occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent it has been indemnified to its satisfaction from any cost, liability or expense whatsoever, including, without limitation, fees and expenses of its attorneys, or any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and

appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article VI of the Indentures insofar as they relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Trustee's negligence or willful misconduct. The Dissemination Agent may rely on and shall be protected in acting or refraining from acting upon any direction from the Issuer or an opinion of nationally recognized bond counsel. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the Issuer from time-to-time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties of hereunder. The Dissemination Agent and Trustee shall have no duty or obligation to review any information provided to them by the Issuer hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Owners, or Beneficial Owners or any other party. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Agreement. The Dissemination Agent shall not be liable under any circumstances for monetary damages to any person for any breach of this Agreement.

SECTION 12. Notices. Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing.

Disclosure Representative: Belmont Redevelopment Agency
1070 Sixth Avenue, Suite 301
Belmont, California 94002
Attention: Executive Director

Dissemination Agent: BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: [Closing Date]

BELMONT REDEVELOPMENT AGENCY

By: _____
Executive Director

BNY WESTERN TRUST COMPANY

By: _____
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Belmont Redevelopment Agency

Name of Bond Issue: Los Costanos Community Development Project Area Senior Tax Allocation Refunding Bonds, Series 1999A and Los Costanos Community Development Project Area Subordinated Tax Allocation Bonds, Series 1999B.

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Belmont Redevelopment Agency has not provided an Annual Report with respect to the above-named Bonds as required by the Indentures of Trust, each dated as of December 1, 1999. [The Issuer anticipates that the Annual Report will be filed by _____.]

Dated: _____

ISSUER [_____] , on behalf of

By: _____
Its: _____

cc: Issuer

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, NY (“DTC”) will act as securities depository for the 1999 Bonds. The 1999 Bonds will be issued as fully-registered securities, without coupons, registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered bond certificate will be issued for each annual maturity of the 1999 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 1999 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1999 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 1999 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1999 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owner(s). Beneficial Owner(s) will not receive certificates representing their ownership interests in the 1999 Bond, except in the event that use of the book-entry system for the 1999 Bonds is discontinued.

To facilitate subsequent transfers, all 1999 Bonds deposited by participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of 1999 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1999 Bonds; DTC’s records reflect only identity of the Direct Participants to whose accounts such 1999 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial

Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. if less than all of the 1999 Bonds within an issue are being redeemed. DTC's practice is to determine, by lot, the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC or Cede & Co. will consent or vote with respect to the 1999 Bonds. Under its procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 1999 Bonds are credited on the record date (identified in a listing attached-to the Omnibus Proxy).

Principal and interest payments on the 1999 Bonds will be made to DTC. DTC's practice is to credit Direct Participant's accounts on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Agency, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Agency or the Trustee; disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 1999 Bonds at any time by giving reasonable notice to the Agency. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered and the registration and transfer provisions of the Indenture described under the section entitled "THE 1999 Bonds - Registration, Transfer and Exchange" will apply.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered and the registration and transfer provisions of the Indenture described under the section entitled "THE 1999 BONDS - Registration, Transfer and Exchange" will apply.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and neither the Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the Participants, as the case may be.

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